History and Development of the EU

Historical Background

For most of recorded history, Europe has been politically divided into a number of separate politically independent entities, or states. The precise pattern has varied. During the Roman Empire there was a political union, at least in southern Europe (and extending to North Africa and Western Asia), which lasted for nearly 600 years (c200 BCE to 400 CE). After a period of fluidity known as the Dark Ages, the Carolingian and Holy Roman Empires re-established a degree of unified rule, although again only over parts of Europe, and, in this case, not a particularly centralised form of administration. Nation states such as England, Scotland, Denmark, the Netherlands, Sweden, France, Poland and Lithuania emerged in the middle ages, although other areas were fragmented into a large number of petty states, e.g. Italy and Germany. At the end of the C18 the rapid military and political expansion of France under Napoleon Bonaparte, linked to the spread of the ideas associated with the French revolution, led to an extensive but short lived French inspired political community, but during the C19 Europe settled into a pattern of nation states, including now also Spain, Italy and Germany, with only the Austro-Hungarian and Russian Empires organised on other than nation state principles.

There were academic and theoretical models developed at various times for the creation of some form of European Union, but none of these led to any practical action. It can be argued that the process of unification of Germany in the C19 is a prototype for the development of the EU. It started with a customs union (the Zollverein) to foster greater economic links, followed by political union in the second German Empire; although under Prussian leadership, the components of the empire, such as Bavaria and Saxony, retained a large degree of internal independence. Of course today Germany is a federal republic, with the states still enjoying considerable internal autonomy.

The peace settlement after the First World War resulted in the breakup of the Austro-Hungarian and Russian Empires. This in turn led to the creation of a number of new nation states in central Europe, the Balkans and the Baltic area. Although these co-operated in the global League of Nations, at least until the rise of Fascism and Nazism, there was no real move to create specifically European institutions in the inter-war period.

After the Second World War, however, there were a number of initiatives to create supra-national entities in Western Europe. This was due in large part to the need for a common front against the Soviet Union dominated eastern European area, but there were other factors at work. In the defence and security sector, the main organisation was the North Atlantic Treaty Organisation (NATO), essentially a defensive alliance against the Communist Warsaw Pact. This included the USA, Canada and Turkey as well as most states of Western Europe (Sweden and Ireland, as neutral states, have chosen not to join, other states joined later as their political circumstances permitted). The Western European Union, a form of mini-NATO, without the USA, continues to exist, but with little real importance. Proposals for a European Defence community failed to get off the ground in the early 1950s.

This was the context in which politicians in Western Europe started to consider the possibility of economic and political co-operation. Winston Churchill first referred to a United States of Europe in his Zurich speech in 1946. It is clear that he intended this to extend only to continental Europe, excluding the United Kingdom. One of its roles was intended to be to defuse rivalries between nation states, especially France and Germany. Statesmen such as Schuman, Monnet and Adenauer developed this concept, operating from a position which combined idealism and pragmatism. There was from the start a notion of the 'ever closer union of the peoples of Europe', which some saw as leading to a federal state equivalent to the USA, but at least involving a considerable degree of shared decision-making and common policies. At the same time there was a recognition that a merely aspirational idea of union would not be particularly well received at a time when the economic reconstruction of a heavily war-damaged society was the main task of the political classes. The result was a 'twin-track' approach, well summarised by Robert Schuman, the French statesman:

L'Europe ne se fera pas d'un coup, ni dans une construction d'ensemble: elle se fera par des réalisations concrètes, créant d'abord une solidarité de fait. [Europe will not be made all at once, nor as a unitary construction; it will be made through concrete achievements, creating first practical solidarity] May 1950 http://www.robert-schuman.org/robert-schuman/declaration2.htm (translation John Hodgson).

It is however fair to say that there have always been those whose approach is primarily pragmatic, seeing 'Europe' as a means to improve economic conditions by expanding markets and removing barriers to inter-state trade, and those who have a more ambitious political agenda. These latter are sometimes called 'federalists', although there is often a misunderstanding of this expression, particularly in the UK. Many 'euro-sceptics' object to the growth of what they describe as a 'super-state'. Some descriptions of this, particularly those designed for public, rather than expert, consumption, assert that 'federalism' means the transfer of all powers to the central institutions. This is not the case. A federal system is one where there is a carefully articulated distribution of powers between the different institutions, including the member states, with a system of checks and balances to ensure that there is no abuse of power. While there will always be tensions between the different institutions (as the United States of America demonstrates) it is important to note that the EU operates only in defined areas, and on the principles of conferment and subsidiarity. These mean, respectively, that the EU can act only where and to the extent that the treaties negotiated and accepted by the member states allow it to, and that it should only act where it is accepted that action at an EU level is necessary because action at national or local level will not be effective. It is important, whenever you are considering statements of political opinion and policy announcements, to have this well in mind.

The Coal and Steel Community and the European Economic Community

The initial mechanism chosen for economic and political collaboration was a European Coal and Steel Community (ECSC). At this period, these were the key industrial commodities, both in terms of the economic rebuilding of Europe following the destruction of the World War, and as the 'sinews of war'. There was a dual motivation. On the economic front the aim was to increase production and improve distribution, so as to drive forward post-war reconstruction. On the political front the aim was to ensure that states which had been at war in1870, 1914-

18 and 1939-45 were so economically interconnected that they could not rearm against each other on the other hand. Italy and the Benelux states (Belgium, the Netherlands and Luxembourg) which had already started to develop enhanced economic collaboration among themselves joined in what was initially a Franco-German initiative. Other states, including the United Kingdom, were invited to participate, but declined. The ECSC treaty was signed in 1950 and the ECSC commenced operation in 1952 for a fixed period of 50 years. It has therefore now ceased to exist.

Initial experience of the ECSC was so positive that the members determined to expand the principles and procedures to the economy as a whole, and in 1957 the Treaty of Rome established the European Economic Community (EEC), which came into operation in 1958 for an indefinite period. The aims and objectives of the EEC appear from the Preamble in which the six founding states declare:

> DETERMINED to establish the foundations of an ever closer union among the European peoples,
>
> DECIDED to ensure the economic and social progress of their countries by common action in eliminating the barriers which divide Europe,
>
> DIRECTING their efforts to the essential purpose of constantly improving the living and working conditions of their peoples,
>
> RECOGNISING that the removal of existing obstacles calls for concerted action in order to guarantee a steady expansion, a balanced trade and fair competition,
>
> ANXIOUS to strengthen the unity of their economies and to ensure their harmonious development by reducing the differences existing between the various regions and by mitigating the backwardness of the less favoured,
>
> DESIROUS of contributing by means of a common commercial policy to the progressive abolition of restrictions on international trade,
>
> INTENDING to confirm the solidarity which binds Europe and overseas countries, and desiring to ensure the development of their prosperity, in accordance with the principles of the Charter of the United Nations,
>
> RESOLVED to strengthen the safeguards of peace and liberty by establishing this combination of resources, and calling upon the other peoples of Europe who share their ideal to join in their efforts,
>
> HAVE DECIDED to create a European Economic Community.

The means by which the EEC should operate were set out in Arts 2 and 3 of the Treaty:

> **Article 2** 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.

Article 3 For the purposes set out in the preceding Article, the activities of the Community shall include, under the conditions and with the timing provided for in this Treaty:

(a) the elimination, as between Member States, of customs duties and of quantitative restrictions in regard to the importation and exportation of goods, as well as of all other measures with equivalent effect;

(b) the establishment of a common customs tariff and a common commercial policy towards third countries;

(c) the abolition, as between Member States, of the obstacles to the free movement of persons, services and capital;

(d) the inauguration of a common agricultural policy;

(e) the inauguration of a common transport policy;

(f) the establishment of a system ensuring that competition shall not be distorted in the Common Market;

(g) the application of procedures which shall make it possible to co-ordinate the economic policies of Member States and to remedy disequilibria in their balances of payments;

(h) the approximation of their respective municipal law to the extent necessary for the functioning of the Common Market;

(i) the creation of a European Social Fund in order to improve the possibilities of employment for workers and to contribute to the raising of their standard of living;

(j) the establishment of a European Investment Bank intended to facilitate the economic expansion of the Community through the creation of new resources; and

(k) the association of overseas countries and territories with the Community with a view to increasing trade and to pursuing jointly their effort towards economic and social development.

Note that, although the phrase 'Common Market' became a nickname of the EEC, it is actually a technical economic expression, which indicates the means by which economic co-ordination is to be achieved. A common market is one where there are three elements:

A customs union – in other words there is a single common customs tariff applied to goods which enter the area of the common market from outside;

An internal free trade area where goods are in free circulation without internal frontiers, tariffs or other barriers to trade.

Free movement of all the factors of production – not only goods, but labour, services and capital.

The initial phase in the creation of the EEC, abolition of internal tariffs and the establishment of the common customs tariff, occurred relatively smoothly and within the transitional period envisaged. The 1950s and 1960s were periods of increasing economic prosperity in the EEC region, and this assisted with the removal of barriers to trade, as states and economic actors saw the benefits of the greater trading opportunities provided by the larger 'home' market. One area where considerable intervention was necessary was in relation to the labour market, as workers were reluctant to relocate without adequate arrangements in place to ensure that their pensions and social security entitlements were transferable, and also that social measures were in place to allow their families to relocate with them. Another issue that required considerable attention was economic regeneration. Many regions were dominated by 'twilight' industries, such as coal and iron mining in regions where reserves were becoming exhausted. Regional funding initiatives were adopted to promote the development of new industries, and this rolling cycle of regeneration has continued to the present. Much agricultural production at this time was by small, relatively inefficient units and the initial intention of the Common Agricultural Policy was to modernise this sector, by encouraging smaller farmers to rationalise their holdings. Unfortunately, the system of support applied had the effect instead of cushioning these small farmers and allowing them to continue to farm uneconomically. The size of the farming and rural vote was such that it became impossible to get the Policy back on track for many years. In the mean time, the EEC became, in effect, a purchaser of last resort for surplus agricultural produce and had therefore to manage the agricultural sector from day to day.

The progress of the EEC was interrupted by global economic disruption in the 1970s, largely caused by sudden large oil price rises. Member states resorted to various measures to protect their domestic economies in these adverse circumstances, and progress towards the complete realisation of the common market stalled. It became clear at this time that the existence of many thousands of national regulations on the composition and marketing of most products was significantly inhibiting the removal of trade barriers.

The basis of monetary union was established at this period, although initially on the basis of linking of exchange rates, rather than a single currency. Incidentally, monetary union had been a long-term objective from the outset.

The first expansion of the EEC occurred in the mid 1970s when the UK, Denmark and Ireland joined. They were followed by Greece, Spain and Portugal once these states had satisfactorily demonstrated their democratic credentials following periods of right-wing dictatorship. Austria, Finland and Sweden eventually followed in the 1990s, and at the same time the creation of the European Economic Area allowed Iceland, Liechtenstein and Norway access to the Single Market without participation in the EU/EC as such.

The Single European Act (SEA) was a revision to the Treaty designed to facilitate the completion of the Common Market, which was redesignated the Single Market, although this was to a great extent a matter of presentation, as the substance of the arrangements changed little. However legislative and administrative procedures related to the Single Market were simplified and improved. As a result the Single Market was completed in 1992.

The European Union

The next stage was the establishment of the European Union in 1993 under the Maastricht Treaty. This provided for three pillars – the EEC, now renamed the European Community, Foreign Affairs and Security and Justice and Home Affairs. The Maastricht Treaty also laid the foundations for the introduction of the Eurozone, an actual currency union with a single currency rather than harmonisation of exchange rates. A further large expansion then took place in 2004 with the accession of Cyprus, Malta and eight states from central and eastern Europe. Slovenia had been part of Yugoslavia, Poland, Hungary, the Czech Republic and Slovakia had been part of the Soviet sphere in the Cold War, and members of Comecon, the Soviet economic collaborative entity. Estonia, Latvia and Lithuania were former constituent republics of the USSR itself. The last eight states were all at a significantly lower level of economic development and prosperity than the existing EU states. The next accession, in 2007, was of Bulgaria and Romania, two more relatively economically underdeveloped former Comecon states. The most recent accession, in 2013 is that of Croatia, another constituent of the former Yugoslavia.The effect of the accessions has been to move the geographic centre of the EU significantly to the east.

The final stage of the process of development of the EU to date is the consolidation of all activity and institutions into the EU through the Lisbon treaty. One principal objective of this Treaty is to create a set of institutions which is robust and flexible enough to administer a union of 28 states. It has to be understood that although there is a single EU, many of the member states have entered specific reservations, so there are elements of variable geometry. The most obvious such element relates to the single currency, the Euro, and the institutions, principally the European Central Bank, which support it, The United Kingdom, Denmark and Sweden, although in principle eligible for membership, negotiated exemptions, albeit in slightly different terms, as they had political reservations. It is likely that these will be maintained indefinitely. This is the explicit policy of the UK Coalition government, and was the implicit policy of the last Labour government. Sweden actually decided by a clear majority in a referendum not to join the Euro.

A number of the 2004 accession states have met the criteria for entry to the single currency. Cyprus, Malta, Slovakia, Slovenia and Estonia have already adopted the Euro; Latvia will do so in 2014 and Lithuania is scheduled to do so in 2015. The United Kingdom initially opted out of the ‘Social Chapter’ of the Maastricht Treaty, which related principally to terms and conditions of employment, such as the maximum 48 hour working week, and still does not fully participate in some criminal justice activities. The United Kingdom and Ireland have opted out of the Schengen system of single visas for third country nationals and member states which are constitutionally neutral, such as Sweden and Ireland, do not participate in the military aspects of the common security policy. The EU appears to be sufficiently flexible to accommodate this diversity of approach, although it can and does create tensions from time to time.

Current and Future Developments

It is today rare to find influential figures who seriously argue that a ‘United States of Europe’ equivalent to the United States of America is feasible or even desirable in any realistic political time frame. This would require there to be a single federal state, with a constitution, and a single head of state, executive and legislature for those topics allocated to the federal level. This was relatively easy for the USA to achieve. The original 13 states had a common heritage as English colonies. They shared a common language, culture and legal system, and broadly followed the same religion. They came together following a common liberation struggle against the colonial power, and shared a common set of aspirations for their state and its constitutional nature. They were also relatively small and young states without any great weight of political and cultural tradition. The subsequent geographical expansion, ethnographical diversification and latterly economic and military pre-eminence of the USA came after sufficient time had elapsed for the institutions and political culture of the state to settle down. Even then, the dispute over states rights, particularly in relation to slavery, which came to a head in the American Civil War, almost destroyed the federal constitution. In Europe there are substantial linguistic, ethnic and religious divisions, and it is composed of states which generally have a long history and very distinct constitutional and cultural traditions. Among them are traditional alliances and also longstanding and deeply felt traditional rivalries and enmities. In addition, many have significant ties to former colonies outside Europe, particularly the United Kingdom, France, Portugal and Spain.

In reality, the debate today is between those who wish to develop the original Common or Single Market aspects of the EU, extending these to the remainder of geographical Europe[1] and beyond to the states bordering the Mediterranean and Black Seas, and perhaps slightly further into Eurasia and the Middle East, and those who wish to see greater, but still limited and targeted, harmonisation and integration within the existing boundaries in areas such as education, healthcare and the administration of civil and criminal justice. In the short term the effect of the global economic crisis, in particular on the weakest Eurozone economies, has taken centre stage. There are serious debates on whether the Eurozone is economically and fiscally viable, and those states with the resources to support the weaker ones clearly resent being obliged to do so. At the time of writing (August 2013) it remains unclear whether Greece will actually leave the Eurozone, and what consequential effects there may be. However these developments are primarily significant for economic and political reasons; legal changes may well follow, but even abandonment of the Euro would not immediately lead to the unravelling of the legal structures of the EU.

So far as the future is concerned, there are a number of aspects to consider.

In the United Kingdom there is clearly a vocal minority, well represented in the parliamentary Conservative party, and by UKIP, who appear ideologically, almost viscerally, opposed to the EU and all its activities (and also to many other 'European' activities unconnected to the EU, such as the operation of the European Convention on Human Rights). The Prime Minister is committed to a 'rebalancing' of relationships, presumably to remove some of the principal areas of discontent, prior to a referendum on UK membership. At present an in-depth review of the Balance of Competences is being undertaken by various departments of government. The first of four series of reports are available here. The UK government has invited other member states to participate, but has had a limited response, although the Netherlands and Germany are potential collaborators. Annoyingly for Eurosceptics, the evidence, at least from the first series of reports, is that the present relationship is broadly satisfactory.

The Eurozone has clearly undergone a traumatic period. While this seems to be largely due to a mismatch between the performance of the strongest Eurozone economies, such as Germany, the Netherlands, Austria and Finland and the weakest, such as Ireland and Spain with the aftermath of serious property bubbles to deal with, and Greece and Portugal with systemic public sector overspending, there appears to be some agreement on the need for closer fiscal and financial integration within the Eurozone, which may interfere with the relationship between Eurozone and non-Eurozone states.

There are still several candidate states: Croatia, Turkey, the Former Yugoslav Republic of Macedonia, Iceland, Montenegro and Serbia are currently formally candidates for membership. Iceland would be an ideal candidate, but for the aftermath of its banking crisis, which has caused a hiatus, as compensation is still due to certain member states. Subject to this, accession negotiations are well advanced. Turkey has been a candidate for many years. It currently has associate status, but full membership appears a distant prospect. Apart from this, the other candidates (Montenegro, Serbia and FYR of Macedonia), and potential candidates, Albania, Kosovo and Bosnia-Herzegovina) represent the remaining areas of the Balkans not yet integrated.

There a clear neighbourhood policy, with specific schemes for the southern (or Mediterranean) neighbours and the eastern neighbours (Ukraine and the Caucasus) which offer free trade and collaboration, but do not offer any immediate prospect of membership – unlike the initial eastern expansion following the collapse of the Soviet Union. There is also a specific agreement with Russia.

Commercial policy is a major concern, and a free-trade area with the USA is currently in the early stages of negotiation.