

# European Unity



# Europe after 1945

- a) **Economic turmoil:** Even victors like Britain, France and USSR were under severe economic stress.
- b) **Suggested solution:** Some suggested a US type of federation.
- c) **Cold War:** Truman Doctrine (1947), Policy of Containment, Marshall Aid (1947-51) & Iron Curtain dashed the dream of a united Europe and from 1947 East & West Europe developed separately.
- d) **Western Europe:** Recovered quickly thanks to Marshall Aid.
- e) **Efforts at unity of Western Europe:** This included striving for economic, political and military unity.
  - i. Organization for European Economic Cooperation (OEEC 1948)
  - ii. NATO (1949),
  - iii. Council of Europe (1949),
  - iv. European Economic Community (1957).

# Europe after 1945

- **Britain and European unity:** Concerns regarding British sovereignty.
  - did not join EEC (1957). It changed its mind in 1961 but then France blocked its entry till 1973 when it finally joined European Community (1967).
- **Efforts at Eastern European unity:** Molotov Plan (1947), COMINFORM (1947), COMECON (1949) and WARSAW PACT (1955).
- **Tensions in Eastern bloc:** Expulsion of Yugoslavia from COMINFORM in 1948, Hungarian Uprising (1956), Invasion of Czechoslovakia (1968).
- **Economic Development of Eastern Europe:**
  - 1970s-prosperity in communist bloc.
  - 1980s, hit by world depression. From mid 1988 till 1991, communism collapsed in Eastern Europe. In 1990, Germany was united. From 1991-95, Civil War in Yugoslavia.

## **Situation in France postWW2:**

- i. Under 4<sup>th</sup> Republic (1946-58), France was weak politically and economically (agriculture stagnated though Industry was performing well).
- ii. **Political instability:** 25 coalition govts in 12 years of 4<sup>th</sup> Republic.
- iii. **3 major disasters:** 1<sup>st</sup> Indochina war (1946-54), Suez War (1956) and the rebellion by the French Army in Algeria
- iv. **5<sup>th</sup> Republic (1958) under General De Gaulle (1958-69)**, a veteran of WW2. 5<sup>th</sup> Republic has provided France with stable governments.
- v. Algeria was given independence 1962.

## Situation in Italy post WW2:

- Republic with a new constitution in 1946
- Prosperity and stable govts from 1946 to 1953 but thereafter old problems reappeared.
  - a) There were series of **coalition** governments
  - b) Failure in solving problems of **inflation** and **unemployment**

## Unity in Western Europe

- Some simply wanted more cooperation while some desired US type Federation (called Federalists) like **Churchill** wanted a “United States of Europe”. It is another matter that Churchill did not want UK to be part of this Federation.

### Reasons for wanting more unity:

- Pooling of resources best way to recover from war.
- Individually the states were small and weak to be economically and militarily viable in a world dominated by big super powers like US & USSR.
- Prevent war
- Resist spread of communism via joint action.
- Germany was keen because it wanted recognition as a responsible nation. Joining EEC and other forums will help improve its image. Also it feared isolation like post WW1

## OEEC (1948-61)

- Organization for European Economic Cooperation (OEEC)
- 1st step towards **economic unity**.
- a precursor to OECD (Organization for Economic Cooperation and Development).
- **Trigger** was Marshal Aid (1947). **Britain** organized a group of 16 West European nations to decide how to best use Marshal Aid. The consequent plan was called **European Recovery Programme (ERP)**. This group became permanent under the name of OEEC.



# OEEC (1948-61)

- **Functions of OEEC:**

- distribute Marshal Aid among OEEC members.
- Increase trade among OEEC members by reducing trade barriers. In this it was helped by **European Payments Union** (pay in own currency) and **UN GATT** (General Agreement on Tariffs and Trade, reduce tariffs).
- **Huge success:** Trade doubled in 6 yrs, among OEEC members
- **OECD vs OEEC:** US & Canada joined OEEC in 1961 and it became OECD. Other countries joined later. Thus O" E " EC was Euro-specific but not OECD.

## *Council of Europe (1949)*

- 1st attempt at **political unity**. It was a **grouping of Foreign Ministers**. Federalists were disappointed.
- Important founding members (total 10) were Britain, France and Italy.
- By 1971 it had 18 members including all states of Western Europe except Spain and Portugal.
- **No Powers:** because Britain and others wouldn't have joined an organization that threatened their sovereignty.
- **Work:** It debated pressing issues and made some recommendations

## Evolution of European Economic Community (1957)

- Belgium & France took lead in uniting Western Europe.
- **Benelux Customs Union (1947)**: between **Belgium**, **Netherlands** & **Luxembourg**, reduced tariffs & custom barriers.
- **Treaty of Brussels (1948)**: By France, **Britain** & Benelux countries for “military, economic, social & cultural collaboration”.
- **European Coal & Steel Community (ECSC, 1951)**: an initiative of France with aim of better Fr-West Gr relations & industrial growth. It had 6 countries (France, West Germany, Italy, Benelux). **Britain** did not join due to fear of loss of control on their industries.
  - All duties on trade in iron, coal & steel removed.
  - A governing body created to run the related affairs & prepare **joint plan for industrial expansion**.
  - Performance was brilliant

## EEC (1957)

- **EEC:** It setup a **Common Market** through **Treaty of Rome (1957)**.
- Its founding members included 6 ECSC countries (France, West Germany, Italy and 3 BeNeLux countries). **Britain** again did not join.
  - All **custom duties** were removed gradually for promoting free competition and common market.
  - **High tariffs against non-members**, but even these were reduced soon.
  - In 5 years, EEC was world's biggest exporter, biggest importer of raw material & second largest steel producer after USA.

## Institutions of EEC (1957)

- **European Commission:** ran day to day work of EEC and was staffed by civil servants. It was the main centre of decision making. **Britain's** main **opposition** was to this body as it could interfere in their economic policy i.e. internal affairs of Britain.
- **Council of Ministers:** CoM had representatives of each member state.
  - **Function:** coordinate national economic policies to have common economic policies in member nations.
  - CoM in theory approved decisions of European Commission but in practice CoM and European Commission collided frequently over rules and regulations framed by European Commission.

## Institutions of EEC (1957)

- **European Parliament:** Its members were nominated by national Parliaments. It had no control over European Commission or CoM.
  - 1979: Introduction of **Direct elections** every 5 yrs for electing members of EP.
  - Each member nation is allotted seats in the EP. Political parties in a country fight elections for EP like they fight for national Parliament.
- **European Court of Justice:** To settle disputes arising from interpretation or implementation of Treaty of Rome (1957) that setup EEC (1957). Even private entities could complain to ECJ about their country violating rules of EEC.
- **Court of Auditors:** to audit the accounts of EEC's institutions (EU's institutions today)

## European Community (1967)

- **European Community (1967)**= ECSC (1951) +EEC(1957) + EURATOM (1957).
  - **EURATOM (1957)**: 6 members pooled money to develop atomic energy through this organisation.
- **Exchange Rate Mechanism (ERM, 1979)**: The ERM linked the currencies of member nations so only limited variation in currency exchange rate was allowed. The aim was to check inflation and ensure stable currencies of member nations so that in future a single currency could be introduced.
  - **Britain** did not join ERM until 1990.
- **Budget of European Community**: Each member was to contribute part of earnings made through custom duties levied on imports made by that country. This resulted in a problem for **Britain** in 1980 because it imported far more than other members of the community.

## Why **Britain** did not join EEC(1957) ?

- It did not want to share control of its economic policies with an outside body, European Commission.
- It did not need EEC as much as others needed.
  - Its economy was largest in Europe after WW II, the standards of living were high and there was little unemployment.
  - Britain was the only European country that was not invaded during WW II.
- Also after victory in WW II, its international prestige was back to 1919 levels. It expected to be a leading power in world affairs, second only to two super powers.
- Thus it was not in favor of submitting its sovereignty to any organization.



## Why **Britain** did not join EEC (1957) ?

- **Commonwealth:**

- Britain had huge trade with Commonwealth countries. Commonwealth had five times more population than EEC and thus the former was a much more attractive market to Britain than EEC.
- Joining EEC, would have hurt Britain-Commonwealth relationship because then Britain would not have been able to give preference to goods from Commonwealth. Joining EEC would have implied more preference to goods from 6 EEC countries because of lower custom duties.

- **Britain-US:** Britain had 'special relationship' with US which no other European state had. Britain wanted to be more aligned with US than Europe. It only wanted to be associated with Europe but not absorbed by it. It felt its special relationship with US would be hurt if it gets too deeply integrated economically with Europe.
- **Suspicion of future political unity:** Britain feared economic unity will soon lead to political unity which it disfavored even more.

## European Free Trade Association (EFTA, 1960)

- This was led by **Britain** and included other non-EEC countries (Austria, Denmark, Norway, Portugal, Sweden, Switzerland). **The reason for EFTA's formation was**
    - the fear that the export of non-EEC countries would be hurt due to high EEC tariffs on outsiders. Thus to compensate for loss on trade with EEC, they formed EFTA.
    - Britain was comfortable because EFTA did not require common economic policies of members and did not have European Commission type overarching authority that could interfere in internal affairs.
- EFTA today:** has only 4 member - Liechtenstein, Iceland, Norway and Switzerland. All EFTA members are part of EU except Switzerland.

## Why **Britain** wanted to join EEC (1957) after 1961 ?

- **High success of EEC(1957) as <> EFTA(1960) @ Production & Trade.**
  - Production of EEC countries increased rapidly. While French production increased by 75%, West Germany's by 90%- British production increased only by 30%.
  - EFTA was less successful than EEC with respect to increasing trade among members.
- **British imports increased faster than exports.** Britain faced a balance of payment crisis. Commonwealth was failing to prove a better export market for Britain because purchasing power of Commonwealth was far lower than of EEC.
- **Make indigenous industry efficient:** Britain felt that after joining EEC, the competition from EEC countries will push its industry to become more efficient. It had nationalized some sectors after the WW II.

## Why General De Gaulle (French President) blocked British entry after 1961 ?

- Britain felt France wanted to continue dominating EEC.
- France felt Britain's economic problems would weaken EEC.
- France felt that US would start dominating European affairs because of Britain's special relationship with US.
  - Britain had recently agreed to receive **Polaris (SLBM)** missile from US without informing France. US had not offered Polaris (SLBM) to France. This irked De Gaulle.
  - US-France friction led to De Gaulle withdrawing from **NATO** in **1966** arguing that being part of NATO diminishes independence of France in world affairs. It only rejoined as full member in 2009.
- To protect French **farmers** from cheap subsidized agricultural produce of Britain. EEC's custom duties protected French farmers from competition from Britain.

- **Britain entered EEC in 1973:** This was possible because De Gaulle had resigned in 1969. In 1974, Labor Party came to power. It was split on the question of joining EEC and held a **referendum in 1974** asking Britishers whether they wanted to stay in EEC or not. 67% voted in favor.
  - 2016 referendum led to Brexit (process began in 2017)
- **Common Agricultural Policy (1962-till now):** Through this huge subsidies were given to farmers to increase production. This led to problem of over-production and exports were made to India, USSR and Bangladesh. CAP continues till now under EU in a modified form.
- **Lome Convention of 1975:** For **duty free import of goods from 3rd World-** Africa and Caribbean. Other Third World countries were added later

## **1986 Changes in European Community (1967):**

- A completely free and common market by 1992  
(i.e. Single European Market with no restrictions of any kind on internal trade & movement of goods).
- **More powers to European Parliament** so that laws could be passed more quickly. Thus national Parliaments were losing some control over their internal matters.
- More powers to European Community(1967) in sectors of health, environment protection & consumer protection.

# European Union (1993)

European Union is Political, Economic & Monetary Union of **28 European nations**.

19 of them are part of **Eurozone** and have adopted the currency called Euro.

- **Maastricht Treaty or Treaty on European Union (1991, in force from 1993):**
  - Replaced European Community (1967) with EU(1993).
  - Under EU(1993):
    - More powers for European **Parliament** + Common Foreign & Security policy.
    - Greater economic & monetary unity to adopt **single currency (Euro)** by 1999.
    - Established Maastricht Criteria or **Convergence criteria** - to join Euro Zone.
    - Copenhagen Criteria- to join EU

# Institutions of European Union (1993)

## a Federalism feature

**European Council:** It comprises of the **head of states** of member nations, the President of European Council and President of European commission (\*Cabinet)

- has a role in election of President of the European Commission (\*Cabinet)
- appoints 28 commissioners of European Commission



# Institutions of European Union (1993)

## Legislature

- **Lower House:- European Parliament:** Members directly elected by people every 5 years. Each nation is allotted seats in EP. Political parties in a country fight elections for EP like they fight for national Parliament.
- **Upper House:- Council of the European Union** (earlier Council of Ministers): It is the upper house of EU's Bicameral Legislature (EP is the other legislative body). It consists of ministers representing each EU member. For each sector, like agriculture, foreign affairs, there is a different council (within CEU) comprising of national ministers for Agriculture and Foreign Affairs respectively. Both Council and Parliament share legislative and budgetary powers equally, meaning both have to agree for a proposal to pass.

# Institutions of European Union (1993)

## Executive

**European Commission:** Cabinet like top executive body with 28 commissioners appointed by European Council, one each from each EU member.

- **President of European Commission:** Candidates from among these 28 commissioners are proposed by European Council and then President is elected by the European Parliament.

- Runs day to day work of EU, implements treaties and proposes laws.
- It is supported by civil servants.

# Institutions of European Union (1993)

- **European Central Bank** administers Monetary Policy for Europe's single currency
  - **Court of Justice of the European Union:** It is the EU's judicial branch and interprets EU law and treaties. It can also hear complaints by citizens on certain matters.
  - **Court of Auditors:** to audit all EU institutions
- EU has permanent missions in other nations and is also represented at UN, G20, G8, WTO etc. via European Commission (\*Cabinet)

# Eurozone

- Eurozone comprises of 19 nations (out of 28) who have adopted Euro(1999) as the common currency.
- **Britain** and Denmark have voluntarily kept out of it - the '**opt-out**' states- for reasons of economic sovereignty.
- '**Derogation states**' are EU member nations who are taking steps to adopt Euro. **All EU member nations except 'opt-out states' have to adopt Euro**, though each member is given time to take measures to be eligible to adopt Euro i.e. they are given time to meet the Convergence Criteria.
- The monetary policy for Euro is the sole prerogative of **European Central Bank** i.e after joining Eurozone the control of Monetary policy passes on to ECB.
- **[Euro Area] vs [Economic & Monetary Union]**: All EU Member States are part of Economic and Monetary Union, which means they coordinate their economic policies for the benefit of the EU as a whole. However, not all EU Member States are in the euro area - only those having adopted the euro are members of the euro area

# Eurozone

What is the **convergence criteria** to join Eurozone ?

These are a set of **macroeconomic indicators** which measure:

- Price stability, to ensure that inflation is in limits;
- curtail Budget Deficit to maximum 3 % of GDP.
- Exchange-Rate stability, through participation in the Exchange Rate Mechanism for at least 2 years without strong deviations from the ERM II central rate;
- Long-term interest rates, to assess the durability of the convergence achieved.

# How to join EU ?

Any European nation can join, subject to following:

- Commitment to **democratic values**
- Consent of EU institutions and EU member states.
- Consent of **citizens** through National Parliament or Referendum.

Meet the “**Copenhagen Criteria**” established in 1993 for accession which include:

- stable institutions guaranteeing democracy, rule of law, human rights & protection of minorities;
- a functioning market economy with ability to cope with competition in EU;
- the ability to implement the obligations of membership, including political, economic and monetary union.

Rules for accession are non-negotiable. Only the timing & manner of implementation are negotiated.

## Schengen Area/Group (1995)

- Schengen is in Luxembourg. It is a the group of 26 European countries which have **abolished passport & immigration controls** at their common borders.
- It functions as a single country for international travel purposes, with a **common visa policy**.
- Of 26, 22 are EU member states & 4 are EFTA members.
- **Recent problems:** After Arab Spring many illegal immigrants from the conflict rid region crossed over to France and Italy & then to other states.

## European Stability Mechanism (2012)

### Challenge of 2008 Economic Crisis:

- Banks failed & had to be bailed out esp in Portugal, Italy, Greece & Spain.
- This led to strain within EU politics & public opinion as well managed economies paid for sins of ill managed economies. Especially the public opinion in Germany got split.
- With help of IMF, the EU was able to rescue these nations in return for austerity measures. The imposed austerity measures themselves created strain as they led to increase in unemployment.
- EU created **European Stability Mechanism** a permanent fund to be used for helping member nations in future crisis.
  - has 19 members of the Eurozone



## Situation of Europe in 1990s

**France:** In 1990s important debates in France were centred around

- Continuing recession and unemployment.
- Doubts over continuing with EEC (formed 1957) and signing the Maastricht Treaty.
- Concerns regarding a united Germany (1990) which may emerge as a threat again.
- In 1995, there were huge protests when President Chirac's government introduced Fiscal Consolidation measures to meet criteria for joining Eurozone as it required members to curtail Budget Deficit to maximum 3 % of GDP.

## Situation of Europe in 1990s

**Germany:** In 1990, Germany was united. It faced challenge of

- Bringing East Germany's economy to the levels of Western Germany.
- The people of West Germany resented supporting the East Germany.
- Fiscal Deficit increased as government pumped in money to revive East German economy.
- Concerns whether Germany would be able to qualify for Eurozone membership as it required members to curtail Budget Deficit to maximum 3 % of GDP.

## Situation of Europe in 1990s

**Italy:** In 1990s Italy was still struggling to solve basic problems:

- North-South divide: North was prosperous with industrial economy while South suffered economically and had agrarian economy.
- Mafia was still powerful.
- Politics was riddled with corruption.
- Huge fiscal deficit, government debt and a weak currency.

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