

**Impact of Global Recession to the Integration Process of the  
European Union**

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## **Abstract**

*Since the dawn of economic crisis, Europe as a single economic entity has entered a period in which their limits are being tested. The questions about Euro as a common currency, European integration and national independency are being raised on the face of member nations. And as frustrating as it may be for Europeans, according to the majority of economics pundits, the world is about to witness the downfall of the largest economy in the world. But, there are few optimists who believe that it was during the crisis period in which European progressed most. Regardless of what prophets opine, from the general perspective, we cannot neglect the fact that the future of the European Union is in peril due to bankruptcy of some weaker members and concerns regarding the richer nations 'tax-payers' willingness to help them. This is one of the reasons behind difficulty in European decision. And the world is asking if the European Union is still able to take these necessary steps to protect political and economic integration process?*

**Keywords:** European Union, political, economic, process, crisis, Community, Treaty and decision.

## **Introduction**

The European Union can be defined as a geo-political entity that covers a large fraction of the continent of Europe. It was founded on many treaties and has undergone several expansions that have taken from having merely six members to 27. The idea of forming the European Union was to make war an unthinkable issue among the member state and create a politically & economically united Europe- a stronger, more viable and assertive Europe in international relations.

In current scenario and on going crisis under euro zone brings many questions of its survival and long run unity? It has been also seen that the new member states joining euro zone are sufficiently not integrated to adopt euro as a common currency and suffering through tougher measures from the strongest members through bailout package. These supports are not increasing other member's interest to join this EU club or, stay longer in euro zone with such difficult situation. Again question is about the survival the European Union and with all members and common currency as euro?

The main purpose of this research paper was to analyze the whole process of creation of the European Union and situation in ongoing global financial crisis. In relation to this, the study also sought to find out the purpose of creating the union and conflict between member states during integration process. And to find out how the challenges were being resolved by the member states to be maintained as a union.

The study was done qualitatively by utilizing a historical case-study approach to research. The method used in data collection and analysis was textual reviews, comparison and establishments of facts and implications. The study also investigates towards the integration process of European member states and the factors that helped to sustain this process.

### **The origin and establishment of the European Union**

A study of the European integration must take into account the challenges of nomenclature; following the entry into force of the Treaty on European Union in 1993, the term European Union has gained broad currency as a depiction of what was previously known as the European Community. Nonetheless, even though the treaty brought European Union into existence, it neither did away with the European Community nor bequeathed upon the Union a legal personality. The subsequent confusion regarding appropriate usages is a consequence of various compromises and fabrications made at the European Council meeting that took place in Maastricht in December of 1991 and consequently at the European Council meeting that took place in Amsterdam in June of 1997, which concurred on the Treaty of Amsterdam.

In 1995, the commemorative ceremonies marking the fiftieth anniversary of the end of the World War II in Europe provided moving insights into the origins of the European Union.<sup>1</sup> According to available literature, there was a mood among the members of the European region; the mood was dubbed as the mood of “never again” following the war. The war had demonstrated the inability of Europe to resolve its numerous disputes in a peaceful manner. Actually, the war had ruined Western Europe’s infrastructure and industries. In this case, it left Western European nations to be scared of possible Soviet Union’s aggression and militarily and economically dependent on the United States.

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<sup>1</sup> William Duiker et al, *The Essential World History, Volume 2: Since 1500* (New York: Cengage Learning, 2010), 703.

However, one of the most important developments with regard to the institutional balance within the European Community was the appearance of the European Council. This comprised formal summit conferences of all the European leaders. In 1974, the European Council came into being and continued to grow in terms of its significance.<sup>2</sup>

In the years between late 1970s and early 1980s, there were numerous attempts to initiate the European Community's postwar institutional development.<sup>3</sup> In the year 1972, the Werner plan for monetary and economic union by the year 1980 was agreed in principle by all the member countries within the European region. The Tinderman report compiled on European Union in the year 1975 believed in numerous measures like direct elections to the European Parliament, a "Citizens Europe" and also the extension of majority voting in the Council of Ministers, which have consequently been adopted.<sup>4</sup> A proposal for the European Union was initiated by foreign minister of Germany and Italy in the year 1981.<sup>5</sup> Consequently, in 1983, the European Council in Stuttgart agreed on the formation of the European Union. In 1984, a draft treaty of on the formation of the European Union was approved; however, the draft treaty had no power to realize its aspirations. The member states further worked to achieve common agreements on how the newly formed Union could be strengthened for the benefits of all the members within the European region.<sup>6</sup>

### **The first union among the European countries: ECSC**

The postwar countries in Europe were not just after establishing peace among them; as noted earlier, they were also concerned with finding solutions to the economic challenges like raw materials being in one nation and the processing industry in another nation. The war had left the European region's industry greatly devastated and their defenses probably not capable of stopping Russia. In order to offer solutions to these challenges, the six neighboring European countries concurred with the formation of the Treaty of Paris so as to form a region of free trade for several fundamental resources, which include steel, iron ore and coal. These resources were

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<sup>2</sup> Andreas Staab, *The European Union Explained: Institutions, Actors, Global Impact* (US: Indiana University Press, 2011), 54.

<sup>3</sup> *Ibid.*, 55.

<sup>4</sup> *Ibid.*, 59.

<sup>5</sup> Alkuin Kollier, *Flexibility And European Unification: The Logic of Differentiated Integration* (London: Rowman & Littlefield, 2006), 226.

<sup>6</sup> *Ibid.*, 230.

selected for their fundamental roles in the military and industry. This body was referred to as the European Coal and Steel; the countries involved in this included Belgium, Holland, Germany, France, Luxembourg and Italy. The union commenced on July 23, 1952 and came to an end on 23 July 2002. This was replaced by the unions that were further formed.

### **The European Economic Community (EEC)**

In 1950s a European Defense Community was proposed and drawn up among the six member states of the ECSC. This union called for a joint military to be controlled by a new supranational Minister for Defense. However, before the initiative took root, it was rejected after the National Assembly of France voted against. Nonetheless, the success of the ECSC resulted in the member countries signing two new agreements in 1957; both were referred to as the treaty of Rome. These agreements established two bodies. The first one was European Atomic Energy Community. The mandate of this body was to collect together knowledge of atomic energy and the EEC; the European Economic Community established a common market among the member states, without tariffs or any form of economic impediments to the flow of labor and products. Its main aim was to maintain economic growth and hence avoid the protectionist policies of the prewar Europe.

At the end of the 1970, trade that took place within the common market had increased five times. The second body that was established was the Common Agricultural Policy. This was formed to enhance member's farming and also bring to an end the monopolies experienced in the region before. The Common Agricultural Policy was actually not based on a common market, but on subsidies provided by the government to support the local farmers. It has become one of the contentious European Union policies. The 1965 Brussels Treaty amalgamated the commissions of the European Economic Community, Euratom and ECSC so as to establish a joint and permanent civil service.<sup>7</sup>

Towards the end of the 1960s period, there was a power struggle among the European nations.<sup>8</sup> The power struggle created the need for unanimous agreements on fundamental decisions. This effectively gave all the member nations a veto. Scholars

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<sup>7</sup> Paul Craig, *EU Law: Text, Cases, and Materials* (Oxford: Oxford University Press, 2008), 6-15.

<sup>8</sup> Sandra Marathison and E. Wayne Ross, *Battleground: Schools* (German: Greenwood Publishing Group, 2007), 282.

have argued that this scenario slowed down the process of the union by about two years.<sup>9</sup> During the periods of 1970s and 1980s, the members to the European Economic Community increased thereby allowing Ireland, Denmark and the United Kingdom to join in the year 1973.<sup>10</sup> Greece joined the Community in 1981 while Spain and Portugal joined in 1986.<sup>11</sup> However, it is important to note that the United Kingdom had decided to change its mind after it realized its economic growth was lagging behind the European Economic Community. This was also facilitated by the fact the United States showed that it would give support to Britain as a rival voice in the European Economic Community to both Germany and France.

Nonetheless, the first two applications submitted by Britain to this effect were vetoed by France. Denmark and Ireland, greatly dependent upon the United Kingdom's economy, followed it in to keep with the pace and also attempt to develop themselves away from Britain.<sup>12</sup> Moreover, Norway also applied at the same time; however, it withdrew a referendum objected to the move. In the meantime, the members of the European Economic Community commenced to view European integration as a means to balance the influence of both Russia and now the United States of America.<sup>13</sup> The development of the union was further slowed in the period of 1970s. This frustrated federalists who referred to the scenario as the "dark age" in development process. Attempts made to establish an Economic and Monetary Union was drawn up; however, was upset by the declining international or global economy.<sup>14</sup> Nonetheless, impulsion had come back in the 1980s. This was partly due to fears that the United State of America was moving away from Europe while at the same time attempting to deter members of the European Economic Community from establishing associations with Communist nations in an attempt to gradually bring them into the fold of democracy.<sup>15</sup> The submission of the European Economic Community hence developed and foreign policies became an area for consultation and

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<sup>9</sup> Philip Benedict and Myron Gutmann, *Early Modern Europe: From Crisis to Stability* (Boulevard: University of Delaware Press, 2005), 105.

<sup>10</sup> Kenneth A. Reinert, *An Introduction to International Economics: New Perspectives on the World Economy* (London: Cambridge University Press, 2011), 126.

<sup>11</sup> Joann Carmin and Stacy VanDeVeer, *Eu Enlargement and the Environment: Institutional Change and Environmental Policy in Central and Eastern Europe* (London: Routledge, 2005), 31.

<sup>12</sup> Marco Rimanelli, *The A to Z of NATO and Other International Security Organizations* (London: Scarecrow Press, 2009), 193.

<sup>13</sup> Paul M. Kennedy, *The Rise And Fall of British Naval Mastery* (US: Humanity Books, 2006), 1524.

<sup>14</sup> J. M. Biswaro, *The Quest for Regional Integration in the Twenty First Century. Rhetoric Versus Reality: A Comparative Study* (SA: African Books Collective, 2012), 139.

<sup>15</sup> Ronald J. Glossop, *Confronting War: An Examination of Humanity's Most Pressing Problem* (US: McFarland, 2001), 159-163.

collective action. Subsequently, other funds and entities were established; this included the European Monetary System formed in 1979 and the approaches of offering grants to underdeveloped regions.<sup>16</sup> In the year 1987, the Single European Act led to the progress of the European Economic Community's role a step further. The members of the European Parliament were provided with the capability to vote on various legislations and issues. In this case, the number of votes was dependent on the population of each member state. The logjams within the common market were also common targets for the initiatives.<sup>17</sup>

### **The Maastricht Treaty and the European Union**

In 1992, the treaty of Maastricht was signed so as to officially establish the European Union and also introduce new forms of cooperation among the governments of the member states in the areas of justice and defense and issues of home affairs; the creation of the Union was officiated in 1993. After the Treaty on European Union had been signed, the European Economic Community was changed into European Union.<sup>18</sup>

In 1999, a single currency for the European region was formed and most of the member states adopted the singular currency as their official currency. This consequently resulted in the formation of what has been referred to as the euro zone. This initiative materialized in the year 2002 when the euro notes and coins were used to replace national currencies in 12 nations, which were among the members of the European Union.<sup>19</sup>

Even though the formation of the European Union was successful, it is important to note that the European Union was not established in just one go; it was as a result of gradual and progressive integration process that commenced in 1945. It was an evolution in which one level of the union that worked gave confidence for the move to the next level of the union. Therefore, historians and political pundits posit

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<sup>16</sup> Theodore Kokkinos, *Economic structure-functionalism in European unification and globalization of the economies* (Indiana: Indiana University), 24-39.

<sup>17</sup> *Ibid.*, 86.

<sup>18</sup> David Dunkerley, *Changing Europe: Identities, Nations and Citizens* (London: Routledge, 2002), 15.

<sup>19</sup> Adrian Buckley, *Multinational finance* (California: Financial Times /Prentice Hall, 2000), 485-501.

that the formation of the European Union follows the sustained demands by the member countries, especially after the end of the Second World War.<sup>20</sup>

The Maastricht also formalized the concept of European Union citizenship.<sup>21</sup> This allowed any person from any European Union member state to run for any office in their government, which was also altered to enhance decision-making process.<sup>22</sup> Probably most contentiously, the European Union's entrance into legal and domestic issues, which produced the Human Rights Act and over-rode numerous member countries' local statutes, produced rules regulations associated with free movement within the European Union borders; this led to suspicion with regard to mass migrations from poorer nations of the European Union into richer or wealthy ones.<sup>23</sup> More areas of the member states' government were affected more than before; the bureaucracy process was also expanded. Even though the Maastricht Treaty came into force, it was faced with profound oppositions and was only narrowly passed in France and coerced a vote in the United Kingdom.<sup>24</sup>

### **Becoming a member of the European Union**

The European Union has been expanding through addition of new members through the process of accession.<sup>25</sup> This process commenced with inner six members who originated the European Coal and Steel Community in 1952.<sup>26</sup> Currently, the European Union has grown to a membership of twenty-seven nations. The latest expansion through accession is set to happen in the year 2013 when Croatia is set to be officially considered as a member of the European Union.<sup>27</sup> Accession has a distinct process through which all the acceding nations must go through before finally being considered as full members of the European Union.<sup>28</sup>

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<sup>20</sup> Martin Dedman, *The Origins and Development of the European Union 1945-2008: A History of European Integration* (London: Taylor & Francis, 2010), 43.

<sup>21</sup> Stephen Weatherill, *Cases and Materials on EU Law* (London: Oxford University Press, 2007), 490.

<sup>22</sup> *Ibid.*, 490.

<sup>23</sup> *Ibid.*, 493.

<sup>24</sup> *Ibid.*, 493.

<sup>25</sup> Helena Tang, *Progress Toward the Unification of Europe* (US: World Bank Publications, 2000), 61-63.

<sup>26</sup> *Ibid.* 69.

<sup>27</sup> Doga Eralp, *Politics of the European Union in Bosnia-Herzegovina: Between Conflict and Democracy* (Plymouth: Lexington Books, 2012), 120.

<sup>28</sup> EU Accession Monitoring Process, *Monitoring the EU Accession Process: Minority Protection, Volume 1* (EU: Central European University Press, 2002), 147-158.



## **Crisis can be seen as an end of the Euro Zone?**

Current Scenario presents the incomplete nature of the European Union and political integration with single currency as euro. Europe now faces both a danger and an opportunity; the danger may lead to the collapse of the euro zone and the dismantling of the Union; the opportunity has to lead to the finalization of the integration project from a budgetary and political point of view. Curiously the most recent time has been marked by the clear wish on the part of national political elites to give up all references to the “federal” future for the European project.

Now a question is in front of the European Union for Euro as a common currency and solution of current crisis. Can the euro zone curb the debt crisis? When rescue packages for Greece failed to impress, the questions regarding Euro-Zone’s debt crisis have re-surfaced. It cannot be said that Spain and Italy do not have hard times in store. And, clearly, in such situation the late response of member states is not helping. Present crisis and its consequences have to be taken seriously. Likely dangers could be listed as dearth of cash flow, fear of recession, renationalization, diversion from common policies, exit of members from euro zone etc.

Indifferent viewers take the possibility of renationalization to be the greatest hazard of all. The entire member nations want to be the master of their own. The German constitutional court forces consultation with Bundestag before making any financial agreement at the European level. British parliament has decided not to follow the decision of European Court of Human Rights. It is clear that, when it comes to economic independency and national sovereignty governments see themselves at the highest level. So, withdrawal from European Union membership and Euro Zone cannot be neglected. Nullifying membership will not work in favor of anybody. Weaker players will see the worst in the short run, as they will be forced to use their independent currency. Obviously, their currency will be highly devaluated. Though the export may boost to a level, it will be many years before the level of wealth and prosperity of citizen will be restored. For the stronger ones, the fear of another economic crisis will create a serious problem in the cash flow and banking. The reduced export and barriers at the borders will surely inflict the trade and deficit will be inevitable.

As it seems Europe is hitting its lowest in a long time. But it will be too early to give up in despair. It took more than half a century to mold European Union into its current form. The effort, which all the members put for such a long time, has certainly

created strong bond between them. It is also important to remember that it is the world's largest Economy and it has been withstanding crisis, quite nicely, for more than 4 years. It still boasts single currency, which happens to be one of the most important reserve currency in the world. Since introduction of Euro in 1999, the region has progressed a lot. Number of jobs has raised significantly, all the members', and of the EU as whole, GDP has increased and it is still the leading example for Globalization. Euro has been consistent over dollar even in such a time. So, probably poor economic decision and improper budget planning is being referred as "EURO CRISIS".

Additionally, it will be worth memorizing that Europe has seen fewer deficits and has lower public debt than USA. So, we know that on its good days Europe has been mesmerizing example for the whole world and it should not be difficult for members to comprehend that it is worth the trouble.

## **Conclusion**

It is rule of nature that every problem comes with a solution we just have to find the proper way to deal with them. In my opinion, the problems that EU is facing currently should be reassessed, prioritized and then dealt with one by one. The major problems are bankruptcy of member nations, the possibility of Euro being dissolved, probability of cancellation of membership by strong nations, the choice of national interest over European and the credibility of decisions made at the European level. At this instant none of these possibilities can be neglected. There are also economic problems like financial crisis and a chance of it turning into severe economic crisis. We have seen some reluctance to invest in some parts of Europe and prevalence of public debt is not helping the situation either. Now, It is up to the European Union and national politicians and beyond that, all players who want to be involved in rising to the challenge, the difficulty and degree of which is similar to that facing the Founding Fathers of Europe after the Second World War. But time is running out; every week that passes, which is ruled by uncertainty over the future of the Union, increases the chances that Europe will be forced to make radical choices without having been able or wanting to debate them. So, it can be said that Europe is in crisis in all-political and economic sectors but political integration process must be continue.

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