The European Union

But Single European Act found itself overtaken by unexpected events
- Fall of Berlin Wall in 1989 led to a year of intense diplomatic efforts that led to rapid unification of Germany, achieved October 3, 1990
- Fall of Berlin Wall led to collapse of economy in East Germany, in Comecon, and eventually in Soviet Union
- Fall of Berlin wall led to collapse of Soviet military alliance, the Warsaw Pact
- Led to demise of Soviet Union on December 31, 1991
- Peaceful end to Cold War arrived in stunningly unanticipated fashion

The European Union

End of Cold War opened likelihood, if not necessity, for further expansion of EEC
- Enlargement of EEC
- Deepening of European integration
  - To guard against German dominance

The European Union

Unification of Germany determined future of EEC
- A divided Germany was foundation of creation of EEC and also of NATO
- German commitment to an integrated Europe stemmed from two sources:
  - Denigration of sovereignty was price West Germany had to pay to get its neighbors to trust it
  - Iron Curtain of Cold War ran through the middle of Germany; European unity seen as only road to German unity
- Uncertainty as to whether Germany would remain committed to European project or turn toward national construction
The European Union

- Flurry of diplomatic and economic decision-making in 1990 that shaped road to Maastricht and future of EU since
- Step 1: Stabilize East German economy
- Step 2: Unification Treaty between the two Germanies
- Step 3: End remaining special powers of Four Allies from World War II

The European Union

- Treaty on the Creation of a Monetary, Economic, and Social Union between the German Democratic Republic and the Federal Republic of Germany
  - Signed May 18, 1990
  - Exchange rate of Ostmark to Deutsche Mark at 1:1, 2:1, or 3:1
  - Market rate ranged from 5:1 to 10:1
  - Massive subsidy from West to East
  - Currency Union effective June 30, 1990

The European Union

- Einigungsvertrag, Unification Treaty
  - Began negotiations July 2, 1990
  - Article 23 of Grundgesetz, Basic Law
  - Signed August 31; ratified September 20
  - Unification realized October 3, 1990
The European Union

- Thatcher and Mitterrand had reservations about German unification
- Britain, France, and U.S. still had say over German sovereignty, under Deutschlandvertrag of 1955
- Four Allies had special rights in Berlin under Four Power Pact of 1946
The European Union

- Treaty on the Final Settlement with Respect to Germany
  - Signed in Moscow on September 12, 1990
  - Four Powers renounced all their remaining rights in Germany and restored full sovereignty to the two German states
  - Germany could remain in alliances and have allied troops on its territory, but West Germany should reduce its army to 370,000
  - Soviets agreed to withdraw all their troops from Germany by December 31, 1994
  - Germany confirmed its eastern border at the Oder-Neisse line
  - Ratified by both Germanies, then by unified Germany
  - Final deposit of ratification on March 15, 1991

- “Two plus Four” Talks
  - East Germany, West Germany, Britain, France, U.S., Soviet Union
The European Union

- Polish-German Border Treaty
  - Signed November 14, 1990
  - Germany renounced claims to
    - Silesia
    - Eastern Brandenburg
    - Farther Pomerania
    - East Prussia

- After SEA entered into effect in 1987, continued frictions within EEC over Economic and Monetary Union
  - Thatcher and UK wanted no part
  - Mitterrand and France wanted it
  - Jacques Delors wanted it
  - Kohl and German government faced resistance from German population proud of the Deutsche Mark and German fiscal orthodoxy and success

- Hannover European Council in June 1988 confirmed goal of Economic and Monetary Union
  - Authorized Delors and Commission to propose practical measures that would lead to single currency
  - Delors constituted committee of governors of central banks rather than of Economics or Finance Ministers, to have greater independence
  - Delors Report delivered on April 12, 1989

- Delors Report set three conditions to define Economic and Monetary Union and then introduce single currency
  - Full and irreversible convertibility of currencies
  - Establishment of free movement of capital
  - Irrevocably fixed exchange rates between European currencies
The European Union

- Delors Report outlined three stages:
  - Completion of Single Market
    - Participation of all currencies in Exchange Rate Mechanism II of European Monetary System
    - Could be done by existing institutions without revision of Treaties
    - Negotiate a Treaty on Economic and Monetary Union to open second stage
  - Implementation of European System of Central Banks
    - Coexist with national monetary authorities
    - Federal monetary institute to pave way for joint decision making
  - Transition of economic authority to Union institutions and irrevocably fixed exchange rate parties
    - New, single currency would replace national currencies

- Delors Report, 1989
  - Did not specify a time frame

- Two Intergovernmental Conferences convened December 15, 1990
  - Political Union – Foreign Ministers of the 12 Member States
  - Economic and Monetary Union – Economics or Finance Ministers

- On April 17, 1991, Luxembourg Presidency of European Council presented Intergovernmental Conference negotiators with a draft Treaty on European Union
  - Based on three “pillars”
    - First Pillar – Activity of the European Communities
    - Second Pillar – Common Foreign and Security Policy
    - Third Pillar – Justice and Home Affairs
The European Union

• At Maastricht European Council, Heads of State reached agreement on substance of all issues and referred the Treaty for final drafting
• On February 7, 1992, the 12 Member States of the EEC reassembled in Maastricht and signed the Treaty on European Union

The European Union

• TEU
  – Not a definitive constitution, but one stage in evolutionary process of European integration
  – Stated its objective to create “an ever closer Union among the peoples of Europe”
  – U.K. blocked use of the phrase preferred by the majority, a “Union with a federal purpose”
The European Union

• TEU
  – Three distinct pillars
    • European Community (replacing EEC)
    • Common Foreign and Security Policy
    • Justice and Home Affairs

Cohesion of pillars ensured by a single institutional framework:
• European Council (Heads of State or Government)
• Council of Ministers
• European Commission
• European Parliament
• European Court of Justice

TEU ratification won very hard
– Parliaments of Germany, Italy, and Belgium indicated they would not ratify until European Parliament approved
  • U.K. had blocked inclusion of power of assent for European Parliament
  • European Parliament found TEU inadequate, but sent note to parliaments of Member States urging approval, but appending a long list of shortcomings
  • Notable shortcoming was too small a role for European Parliament and Commission in the two intergovernmental pillars
– Failed in Danish referendum on June 2, 1992, 50.7 percent against
– Passed in a referendum in Ireland June 18, 1992, 68.7 percent for
– Ratified by parliaments in Luxembourg, Belgium, Greece, Italy, Spain, Portugal, and the Netherlands by end of 1992
– In France, Mitterrand decided on June 3, 1992 to hold referendum rather than submit to parliament
  • Referendum on September 20 with 51.04 percent for, 69 percent turnout
The European Union

- TEU ratification won very hard
  - German Bundestag ratified, but TEU had to withstand review by Constitutional Court (Verfassungsgericht)
    - Court ruled on October 12, 1993 that TEU was compatible with German Basic Law, but criticized TEU for not giving more power to European Parliament
    - A reservation about democratic legitimacy of EEC that dates back to a court decision of 1970 (Solange I)
  - Denmark negotiated right to opt out of single currency, defense policy, citizenship, and Community powers in justice and policing
    - Agreed to by European Council in December 1992
    - Denmark ratified by second referendum on May 18, 1993, 56.8 for with turnout of 86 percent

The European Union

- First Pillar of European Union – European Community
  - New responsibilities
    - Promotion of environmentally friendly economic growth
    - Promotion of employment
    - Promotion of social welfare
    - Promotion of quality of life
    - Promotion of economic and social cohesion
  - Laid down calendar for Economic and Monetary Union
  - New objectives
    - Entry and movement of workers in internal market
    - Strengthening of industrial competitiveness
    - Education, Energy, Tourism

The European Union

- TEU entered into effect on November 1, 1993
  - Several EU Member States had to amend their constitutions to accommodate commitments to TEU
    - Germany
    - France

The European Union

- First Pillar of EU – The European Community
  - Five legislative procedures
  - Qualified majority or unanimity within European Council and:
    - European Parliament assent procedure
    - European Parliament codecision procedure
    - European Parliament cooperation procedure
    - European Parliament consultation procedure
    - No consultation with European Parliament
The European Union

• First Pillar of EU – European Community
  – Second Stage of Economic and Monetary Union began, with fixed "convergence criteria"
  – Gross government debt as ratio to GDP no higher than 60 percent
  – Ratio of annual government deficit to GDP no higher than 3 percent
  – Inflation rate no more than 1.5 percent higher than average of the three lowest inflation Member States of EU
  – Applicant states must have joined Exchange Rate Mechanism II under European Monetary System for two consecutive years and not devalued its currency during that period
  – Nominal long-term interest rate must be no more than 2 percentage points higher than average of the three lowest inflation Member States of EU
  – Purpose was to maintain price stability within the Eurozone

• Second Pillar of EU – Common Foreign and Security Policy
  – Purely intergovernmental
  – France and Germany wanted genuine common defense policy
  – U.K. wanted to go its own way and argued it would be incompatible with NATO
  – CFSP strengthened role of Council and Member States; no role at all for European Commission
  – Restricted achievements
    – Greatest disappointment was over conflict in former Yugoslavia in 1990s
    • Handled by UN and NATO; US troops the largest contingent, but EU troops also
    • First deployment of German troops in Europe since 1945

• Third Pillar of EU – Justice and Home Affairs
  – Completion of Single Market, as well as separate Schengen Treaty, opened borders and promoted free movement of persons
  – Many attendant issues/problems raised need to coordinate national legislative and regulatory provisions respecting:
    • Immigration
    • Combating terrorism
    • Combating drugs and arms trafficking
    • Combating trafficking in works of art
    • Combating organized crime

• Third Pillar of EU – Justice and Home Affairs
  – Largely intergovernmental
  – European Commission “associated” with this pillar
    • Commission does not possess exclusive right to propose legislation to Council
    • Member States in Council can propose actions
    • Must be adopted by unanimity
    • Implementing actions can be adopted by Qualified Majority Vote
The European Union body marks the 25th anniversary of the signing of the Maastricht Treaty which established the basis of today’s EU.