Issues on the Evolution of European Integration Process

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Abstract: European strategic landscape has come in recent years radical transformations. European ideal is read as a dynamic, complex, oriented integration process. At the first sight, the European integration seems to be a simple result of a historic evolutionary process. However, the European integration process outlines the complex, dynamic relationship between economic and politic aspects. Given that Romania is a member of the European Union we consider that now is needed more than ever, knowledge regarding the evolution of European integration process. From this perspective the European Integration Process is viewed as a continuous economic institutional convergence process and the present paper recalls some of its main phases.

Keywords: European Integration, convergence criteria, economic history

1. The Economic History Perspective of European Integration Process –The Evolutionary Approach

The economic history perspective of European Integration outlines both general and specific aspects.

As well known the ideal of a united Europe is linked to the need to maintain a stable environment in terms of economic, social, political management and as well as to preserve the a relative politic and military security. From the economic history point of view the European seems to be at the first sight a simple result of an evolutionary historic process that takes into account some important phases.

In a general historic framework we distinguish mainly:

- The he early projects before the Second World War, many of them left without a practical purpose (projects favorable either to a monarchy or Catholic Papality, belonging to different ideologists included those with a socialist orientation, etc..), which expresses a certain mode of thinking at that time, a way to see the progress of civilization on the old continent. These pan- European first ideas of a possible European Community are found also in the Romanian personalities thinking like Vasile Pârvan, Nicolae Iorga, Virgil Madgearu or Dimitrie Gusti;
- After World War II, the ideal of unification of European Unification generated a new impetus, both politically as well as economic. It may be said that the end of Second World War along with its specific Pan-European movements form the context picture of the way in which EU has emerged today. The European conceived design was based on the statement that only united Europe which

was the key to exit from chaos and to ensure progress – goals achieved gradually through a succession of concrete "stages", from simple to complex.

For the beginning was necessary to start a "solidarity of the fact" that led to the elimination of the opposition between France and Germany. This exigency was illustrated the famous speech of W. Churchill held on 19 September 1946, at the University of Zurich, which require the founding of the United States of Europe, that qualified extremely urgent the Franco-German reconciliation.

- Another phase of training the current EU is launching at Harvard University on 5 June 1947, the Marshall Plan a US aid aimed to help the economic reconstruction of postwar Western Europe.

Marshall Plan laid the foundation of a regional economic cooperation system a basis of the first projects of economic integration: that’s why it has remained in economic history as the symbol of European reconstruction and having an important contribution to the future European Union.

- In a specific, modern historic framework In the modern history of European integration a special significance has the Werner Report (1970) with its immediate, medium and long effects concerning both the instantly, first experience of monetary cooperation between the Community countries that introduced a zone of stability in a chaotic landscape (Monetary Serpent and the European Monetary Cooperation Fund, EMCF between 1972- 1978) – as well as on medium and long term (the European Monetary System - EMS-, which represented a new stage for the future Economic and Monetary Union –EMU- and was the main regulatory cooperation and cohesion framework in the European Monetary).

The modern approach of European integration is underlined by a EMU draft plan prepared in 1989 under the guidance of J. Delors and then later by the Maastricht Treaty and Growth and Stability Pact creating the EU framework and the project for the future functioning of EMU(treaty that enforced participating of member countries in the third stage EMU all countries that wish to fulfillment of conditions called nominal and real convergence criteria.

EU prepared in parallel, the deepening integration of member countries – (i.e. thus, the evolutionary process of EMU) as well as the integration and enlargement process towards Central and Eastern Europe (plus Cyprus, Malta and Turkey!) i.e. "the great extension”. In this framework, there were several waves of enlargement of the EU. It started with six members, who have become nine in January 1973 (UK, Ireland, Denmark), ten in 1981 (Greece), twelve in 1986 (Spain and Portugal), fifteen in 1995 (Austria, Finland and Sweden). Therefore, "the great enlargement" (after the term of Delors) May 2004 (Cyprus, Estonia, Latvia, Lithuania, Malta, Poland, Czech Republic, Slovakia, Slovenia) took place on ground prepared by:

- experience in training and development process of the European Communities;
- successive EU enlargement, from six to fifteen members;
- mutations that occurred after 1990 in relations between the EU and former communist countries of Central and Eastern Europe;
- the impact of changes on economic performance, political and social aspects of countries that have become candidates for EU integration.

EU Enlargement in 2004 and 2007, towards CEEC, depended on three factors: the preparation of the candidate countries, the preparation of the EU, plus its properly own accession negotiations themselves.

The process of enlargement towards Central and Eastern Europe Countries (CEEC) is in fact a historical approach of the EU. Extension is essentially a political based project and Europe is a political union in "training"[1].

2. The Economic History Perspective of European Integration Process – The Economic- Politic Approach

In the process of scientific research, it became necessary that the knowledge subject (researcher) to find out the specific features of analyzing object (discipline of study), as well as the possible potential connections with other objects and research areas.

From this point of view, economics is a frontier discipline, between natural realistic experimental sciences (like mathematics, physics or biology) and social-humanistic research disciplines (e.g. history, philosophy or politics).This is the starting point of this approach: in the opinion of researchers, the European integration process implies the connections between economics and politics, fact that affects the integration of eastern European countries too.

The interference between economics and politics in the European integration points out classic and actual issues.

This implies on one hand, the specific economic themes of Keynesianism and monetarism, the as so called liberal or conservative different options for pursuing the European economic interest: the actuality of neo classical conservative Smithian „invisible hand" of sociological self interest perspective, the liberal Keynesian economic interest point of view, as well as the connections between state, market and civil society illustrated in the new institutional economics (as official and unofficial institutions).In the operational manner that means the consideration of ex ante respectively ex post economic management rules, the monetary rigor and economic stabilizers flexibility suggested by Maastricht Treaty criteria and Stability Growth Pact reform.

In the same time, the international politics reveals the debates on political construction of Europe in the neo functional and intergovernmental framework – „high politics" and „low politics" sustained by D. Mitrany, Ernst B. Haas, Andrew Moravchik and others- suggesting the controversy between federal suprastatal and national institutions, either in the form of *inter harmonization* – the primate of so called high politics over low politics (the relation between politics and economic policy) – and *intra harmonization* – the structural elements analysis of these spheres (the nature of political spill over or unitary activism for politics and the impact of nominal and real economic criteria for economics side).

On the other hand, the actual side of economic- politic interferences illustrates the institutional issues posed by the Lisbon Strategy transition to a new Europe and mode of governance in general and specifically in the in the fiscal- monetary area reflected by institutional politic particularities – ***hierarchy***, ***negotiation***, ***competition*** and ***collaboration***.

2.1 The classic issues

The economic concept of European integration was formulated for the first time in the yearly of the third decade of 20th century as mean of combination of separate economies within larger regions. Later in the course of 60 years grace of scientific contribution of some researchers like B. Balassa and J. Tinbergen,

[1]Jacques Pelkmans. *European Integration – Methods and Economic Analysis*, 2-nd edition, European Institute of Romania, 2003. Constantin, Ciupagea. *Cost- Benefit Analysis of Romania's Integration in the EU*, European Institute of Romania, Bucharest, 2004.

the economic integration concept became more consistent, as a process or optimum of international economic cooperation[2]**.**

On the European stage the integration notion is used in a interchangeable fashion with the union concept in its specific forms of manifestation – custom trade union, payments union, common market, and in special the economic union and monetary union.

As it is well known, the economic union illustrates an integrated geographic area within acts the specific tools of economic policy. The economic union implies the common market with a free movement of goods and economic factors, meaning not only a simple combination of economies but also the increasing of cohesion degree of economic policies starting from a partial to a complete union (in terms of competition, capital and labour markets integration).

At its turn, the monetary union is based on the principles of free movement of capital and monetary - exchange stability with the goal of legitimising the European unique currency- euro. In this framework the symbiosis economic-monetary EMU concept entails both monetary - exchange and fiscal -budgetary and competition issue.

In this framework the economic European integration was conceived by political institutional factors in the course of time by the well known following strategic reports Barré, Werner, Delors as a stable non inflationary prosperous area with the final goal for creating EMU and euro area, searching the politic consensus of negotiated contents and phases of EMU strategy (nominal and real benchmark criteria mechanisms, pact-regulations institutions to ensure the growth stability in the nominal and real economic area).

Thus, the economic motivation of European economic integration and EMU was cantered on the optimal currency area conceived in the studies of Mundell, Fleming and McKinnon concerning the cost benefit analysis of utilizing a common currency in an economic integrated area like Europe taking into account the asymmetrical shocks and the flexibility of labour market[3].

In this respect, EMU reveals advantages (trade competitive specialization, increasing monetary efficiency grace to diminishing risk burden of transaction costs, the growing international role of euro, inflation decreasing) and disadvantages (economic adjustment costs).

From the economic point of view, strictly speaking, the European economic integration seems to be a compromise between neoclassical conservative of ex ante economic-monetary rigour and Keynesian economic liberalism of ex post economic stabilizators flexibility.

This leads us to the international political dimension of European integration, conceived at the very beginning as a regional integration in the studies of D. Mitrany: in essence, he sustained the cooperation of nation states for resolving in a sequential manner the issues for achievement of a functional system of peace.

The Mitranyan position a generated the ***school of functionalist thinking*** based on the principle of trans national organisations network -functional unities- able to approach simultaneously both diplomatic and economic problems. Those organisations conduct to communities that replace the national state bureaucrats generating supranational structures.

This functionalist approach was continued better by the Ernst B. Haas neo-functionalist position that sustains that European integration is not a n automatic but an evolutionary learning by doing supranational- institutional process that reveals an essentially diplomatic success which spreads over other

[2] Béla Ballassa, *The Theory of Economic Integration,* London, Allen &Unwin, 1961.
Jan Tinbergen *International Economic Integration*, second ed., Amsterdam, New York: Elsevier, 1965.

[3] Ronald, McKinnon. *Optimum Currency Areas an Key Currencies: Mundell I versus Mundell II,* Journal of Common Market Studies 42, 2004.

functional units-the spill over effect and its specific forms of manifestation (functional, politic, cultivated, geographic) [4].

Thus, the integration process generates a unconditioned strong institutionalisation of supra state elites and the primate of diplomatic functional unit logic (high politics) on national economic policies ((low politics), in the form of *functional spill over* (from diplomacy to economic policy), *politic spill over* (the importance of governmental and non- governmental elites), and *cultivated spill over* (the importance of trans national institutions role).

The period 1960-1970 the European integration stagnated, fact that illustrated the restrictive character of functionalist point of view not able to cope with the resurrection of national sentiments related to sovereignty and national identity.

That leads to another perspective, the ***intergovernmental approach***. In essence, in the international politics theory, this approach is defined by expressions like „national conscience", „national situation" or „ illuminated nationalism" in the studies of A. Moravchik[5]. He criticized the spill-over and high politics ideology enlighten the role of national state in the quality of economic rational national agent adopting decisions on the base of cost benefit analysis.

The issues debated by the assemble of its internal societal agents (government, opposition, trade unions, business leadership, banking system) conduct to an unitary activism, a single voice that reflects the promotion of national interest in the international area.

The intergovernmental position does not diminish the role of supranational institutions but they are seeing in another perspective: the interdependence implies independence of parts, the stronger will be the voice of nation state leaders in regional and international debates, the better will benefit progress of the whole region in modernizing of legislation.

The classic interference between economics and politics in European integration reveals the interest common issues on importance of the role of macroeconomic policies management in a steering hierarchical imposition. In the context of the globalization of financial markets process that required a continuous reshaping of spill over effects and national state unitary activism.[6]

2.2 The actual issues

As well known, the Lisbon Strategy adopted at the European Council in March 2000, outlines a transition from classic functionalist intergovernmental approaches and Community Method to New Modes of Governance and Open Method of Coordination[7].

The "New Governance" literature deals with the emergence of a number of new approaches to governance in the European Union. It is the label used to refer both to departures *within* the classic Community Method and to alternatives *to* that method.

These new procedures share a number of characteristics that differentiate them from the traditional modes of policy making and legislation:

[4] David, Mitrany. *A Working Peace System,* London, Royal Institute of International Affairs, NYand Toronto, Oxford Univ. Tress, 1943, 1966.
Ernst, B. Haas. *The Uniting of Eutope*, second edition, Stanford, Stanford University Press, 1958, 1968.
[5] Andrew Moravchik. *Taking Preferences Seriously: A Liberal Theory of International Politics*, International Organization, Autumn 1997, pp. 513-54.
[6] Amy Verdun. European Responses to Globalization and Financial Markets Integration: Problems of Economic and Monetary Union in Britain, France and Germany", Macmillan Press Ltd., England, London, 2000, St. Martin s Press , USA, 2000
[7] Paul Fudulu, Anton Comănescu, Dragoş Negrescu, Prisecaru Petre, *Necessary Action Guidelines of EU Institutional Development (Deepening) In The Context of Horizontal Development (Enlarging),* European Institute, Impact Studies III , Study Nr. 8/2005.

Firstly, new governance accepts the necessity for coordination not only of action and actors at different levels of government, but also between government and private actors. This can also be seen as a further interlinking of domestic policy-making and cooperation at EU level, combining in the case of the *Open Method of Co-ordination*, common action and national autonomy in an unprecedented manner. In this manner, they are designed more to support and coordinate the policies of the Member States rather than to create a single model for the EU. This multi-level governance style opens up the possibility for truly bottom up political dynamics, which differ from the top-down hierarchic structures of the classic method.

Secondly, many of the new governance approaches seek to mobilize the participation of a wide range of actors, aiming at the same time at enhancing learning processes. New knowledge may come from deliberative mechanisms, from combining national experimentation with peer reviewing, benchmarking performance, and sharing best practices.

Thirdly, many of the approaches rely less on formal rules and hard law than on open-ended standards, flexible and revisable guidelines, and other forms of soft law. In this way, they adapt to diversity and make it easier to revise strategies as the learning processes bring to light new knowledge among the Member States.

New governance can be seen as a way of coping with complex problems under conditions of uncertainty. This complexity and uncertainty of the issues on the agenda do not allow for uniform solutions. These NMG include for example: informal exchanges of ideas; development in areas of policy-making where the mandate in the Treaty was not clear; that informal advisory bodies were created to facilitate coordination, and that these bodies have a hybrid function (representing Member States, yet seeking to aim at Community coordination).

The actual issues of economic-politic interferences reveal the importance of new modes of governance in the sense of the fact that the politic collective decisions are implemented not only in a steer hierarchic manner but in equal measure implies systematically private actors involvement, for profit (e.g. firms) and not for profit (e.g. non-governmental organizations) in policy formulation and/or implementation.

Strictly speaking, the specific new modes of governance in the context of European integration and especially in the edification of EMU implied, in the course of time, different types of actions and relations between the specific European institutional actors (nation states and European communitarian institutions).

As mentioned Prof. Univ. Amy Verdun, specialist in the field of Politics and Economic Governance of EU, the phases of European integration until the present days illustrate multiple interactions between economics and politics in guiding the behaviour of institutional actors ranging from binding regulations to voluntary agreements through hierarchy, negotiation, competition, and cooperation modes of governance[8].

Hierarchy as a mode of governance is usually associated with the state, in particular the sovereign state, exercising power over individual citizens or society as a whole. Hierarchy in modern states is primarily exercised by legislation and rule-making, accompanied by powers and action to enforce compliance. With regard to the EU, hierarchy is primarily seen in the legislative powers of the Union. Moreover, hierarchy plays a role in authoritative decisions at European level, i.e. those of the Commission, the Council, the European Court of Justice or the European Central Bank.

Negotiation, by contrast, supposes the interaction of various types of actors. This can range from public actors of different government levels and functional sectors to a combination of public and private or non-state actors as well as to private or non-state actors. Negotiation is the preferred mode of governance for accommodating highly divergent interests among the actors involved. Therefore, negotiation as a mode of governance plays a prominent role in the EU-system.

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[8] Amy Verdun. Jean Monnet Chair. *Regulation and Coordination in Economic and Monetary Policy-Making,* nov. 2006.

Whereas both hierarchy and negotiation refer to processes of decision-making, ***competition*** as a mode of governance refers to incentives and sanctions mechanisms affecting the decisions of individual actors and thus coordinating their behaviour.

Cooperation for its part encompasses a plurality of actors and a wide variety of measures aimed at guiding their behaviour. As a mode of governance it does not at all rely on coercion, but is based on voluntary participation of different actors in more or less organized processes of stimulating cooperation. Since cooperation is based on voluntarism, it is increasingly being fostered in the EU- system in all cases where formal competences are not at hand. It thus allows circumventing the reluctance of member states to transfer powers to the EU.

In the process of European integration these specific forms illustrate the following features:

- in the early stage of European integration (1958-1970) from Rome Treaty to Werner Plan the main characteristic of the NMG was *cooperation* and *coordination* of monetary policy (as exchange rate policy) and economic policy (in the fiscal budgetary area) through specific committees to assist this process (for example, Committee of Central Bank Governors, a Budgetary Policy Committee, or a Medium-Term Policy Committee);
- in the period from Werner plan to Maastricht Treaty (1970-1992) in the context of three phases road to EMU- full internal integration and liberalization of markets, the sovereign transfer of competences in the monetary field and the creating of euro zone- the specific mode of governance was characterized by *cooperation* through the exchange rate arrangement-snake- and through the European Monetary System. Then it comes a period marked by *competition* in the sense of following the best economic performer at that time-Germany. Finally, the late of the eighties the success of EMS leads to a *cooperation* and *negotiation* through changing best experiences, informal coordination;
- the phase between 1993-1999, after the Maastricht Treaty at the last stage of EMU,it is outlined *competition* (member States who wanted to be ready to join EMU from the first possible date needed to perform well according to the convergence criteria), *monetary hierarchy* (European Central Bank to set interest rates). In the fiscal budgetary area revealed the mix of all types of governance (hierarchy, cooperation, competition and negotiation) due to national sovereignty of these policies: that means both *soft a*nd *hard issues* (benchmarking, changing ideas and best on one hand, but in equal measure the sanction side on the other);
- the period from 1999-until present days displays a mix of a continue *hierarchy* in the monetary field; the important feedbacks between European Commission and member through the early warning system facilitate the *competition* and *negotiation* modes including in the Stability and Growth Pact. Again that means soft and hard aspects. The *soft part* includes the form of exchanging best practice-experiences, informal collaboration, and non-hierarchical sets of relationships between institutional actors (member states, European Commission and European Council, including Advisory Committees) in seeking to meet the end objectives in the area of budgetary and fiscal policies The *hard issues* at its turn, reveal pecuniary sanctions like the Excessive Deficit Procedure stated in the Stability Growth Pact.

In this framework, it is worth noting that part of the reason for not transferring powers over budgetary and fiscal policies to a supranational EU institution, is a fundamental distrust in what an EU supranational budgetary and fiscal policy would look like or what its mandate would be: member states want to stay involved in this area of policy making, thus the *collaboration* represents a mix of the various institutions including the Commission, Council and the Member States (with the bulk of the work done in advisory committees).

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