The European Integration

Europe made up more than 30 countries and even more distinct cultures; it is now trying to adjust to new economic systems throughout the world.

In this essay I shall attempt to show you firstly *the purpose behind the* *European Union* / advantages to have a united Europe to the people of Europe, secondly *Spain's accession to the European Community* and thirdly *the effects of introduction Euro*.

Schemes for European integration are almost as old as the idea of Europe as a distinct political and cultural entity and much older than the conception of a Europe of nation-states. The birth of idea of Europe went hand in hand with the emergence of the first schemes for European integration. Indeed, the conception of Europe as a distinct entity presupposed or implied a potential basis for European cohesion and integration. The term *integration* can be understood, in context of the European Union, as a situation of unification between individually sovereign nations into a collective body, sufficient to make that body a workable whole. A fully integrated European Union could be seen to have two possible outcomes. Either a)A Federalist or 'stewed' union, where all member states give up their individual sovereignty and form a superstate that would be an economic world power, or b)A Confederalist or 'salad bar' union, where each member state has its own place in a continental alliance, maintaining national sovereignty and individually contributing, through trade and cooperation, to form a greater whole. *Sovereignty* can be defined quite simply as the supreme authority to not only declare law but create it, deriving this power from a populace who have given up their personal sovereignty and power and vested it in the sovereign.

Europeans have long disagreed as to which states and poples should properly be included in Europe. There have been long debates as to how far countries such as Russia, Turkey, Albania, Georgia, Armenia, Israel or Morocco should be included in Europe, politically, militarily, culturally or economically. The factor that must always be borne in mind in any consideration of Europe is that definitions of Europe and the configurations of European states are fluids rather than solids. They are constantly changing.The idea of nation and of European order based upon sovereign nation-states is of relatively recent origin and is likely to be as ephemeral or short-lived as all previous European state configurations. It is on the eternal fluidity of European states systems, rather than on any deterministic belief in a teleogical progression towards a preordained "federal goal", that federalists should rest their hopes for a federal Europe in the twenty-first century.

The EU has stated explicitly that its objectives are "to lay the foundations of an ever closer union among the peoples of Europe ... the constant improvement of the living and working conditions of the people, and the reduction of differences in wealth between regions".

The whole purpose behind the *European Union* is to maintain peace between the European countries, and to integrate them. The founding gentlemen of the EMS wanted to restore the integration of the European Communities. In 1949, the Council of Europe was founder to promote political and social unity in Europe. Later in 1952, the European Coal and Steel Community was started to "allay fears of a 'military-industrial complex' fuelling renascent German nationalism". Economic integration and unity was brought to a head in March of 1957 when the European Economic Community and the European Atomic Energy Community were formed. These two treaties were used to help stabilize and form the ECU. All three of these organizations/treaties were essential to forming what is today called the European Union. The European Union/European Monetary System failed for three basic reasons in the early 1990's. First of all, it failed because it was inefficient due to the low-inflation system and the recession in that time period. The recession elaborated on the conflicts between the member countries of the European Union. Second, it is not sufficiently competitive at the current rate of exchange. Third, the real interest rate of the world would need to decline drastically in order for the EU to work. Also in the early 1990's there were "smaller expectations of devaluations". The current European Union has been a result of recent treaties. The first treaty that was signed in February 1992 helped the unification of Europe be that much closer. It set the groundwork for one currency throughout Europe called the euro. In order to update the current treaties the Amsterdam Treaty was signed as a result of the Intergovernmental Conference. This treaty resulted in a plan to listen to the citizens, get closer to a more secure Europe, to make Europe more vocal throughout the world, and to make the European Union more efficient. As of January of 1997 there were 15 countries belonging to the regional and economic European Union. The countries currently involved are Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, and the United Kingdom. In the future the European Union hopes to grow and add more countries to this list. The banking system that the European Union uses is a Central Banking System. With the evolvement of the Euro the economics of Europe will be easier to maintain.

As of January 1, 1999 the national central banks and the European Central Bank were formed to help institute the monetary policy using the euro. The macroeconomics theory accompanied with the use of economic analysis can illustrate the ideas behind the EMS. The members of the EU have put a strong emphasis into the monetary and macroeconomic policies. In order to "reduce inflation the tried to have more stable competitive conditions within in the EMS which resulted in strict exchange rates". The European Union has a long way to go before it achieves 100% success. There are many advantages to having a united Europe to the people of Europe. One benefit is trade. There is now a free movement of goods, services, people and, money within the countries belonging to the European Union. Having a united Europe, which will result in the euro, will benefit information technology, administrative changes, and the information and training of employees. The benefits of the EU on citizens, businesses, and tourists will be determined by how much attention is paid by each particular country to maintaining and promoting good relations with one another. American businesses are affect by the united Europe. For example, in 1980-85 there was an unpredicted increase in the value of the dollar. As a result of the dollar appreciation many American industrial firms that competed in the international market were more profitable than in the past. The European Union also affects the business in the United States because the "cash forward market liquidity tends to 'dry up' in the middle of the afternoon because that is when the European currency traders are going home for the day. Investors in the ECU are growing on a daily basis. Investors tend look at the Union as a risk-returning investment according to dollar assets and the foreign alternatives that are available.

About Spain and European Integration we can say that *Spain's accesion to European Community* in January 1986 was the consummation of a political and economic transformation that had been taking place since 1959, when a group of Catholic Opus Dei technocrats began to open up the Spanish economy to foreign trade and investment, reversing the autarkic and isolationist policies pursued from 1939 to 1951, during the most fascist phase of Franco's dictatorship. The more serious discussions which begun abortively in 1964 and again in 1967 eventually led to a preferential trade agreement in 1970, but the EC was unwilling to enter a closer liaison as long as Franco ruled Spain.

The reforming conservative colition government of Adolfo Suárez (1976-1981) applied for full EC membership in july 1977, four months after Portugal and one month after winning a sweeping victory in the first democratic elections held since Franco's death. The government had hoped that entry terms could have been negotiated and agreed by 1980, in time for admission soon after Greece. But Franch, Italian and subsequently Greek fears of the economic consequences of Spain entry - mainly for their own producers of Mediterranean farm products, but also for the CAP and for EC industries such as steel, coal, cars, textiles and footwear - and German concerns over the budgetary implications, dragged out the negotiations from late 1979 until March 1985. When Spain finally entered the EC in 1986, it had a socialist government under Felipe González.

Spain's EC admission did indeed seem to pose a major challenge for its existing members, especially France, Italy and Greece. Spain's accesion was to increase Ec territpry by nearly one third, total population by 14 per cent, cultivated area by 30 per cent, agricultural population by 25 per cent and fishing fleet by 70 per cent. Spain then accounted for over 40 per cent of the world's olive-oil production and 20 per cent of world's citru-fruit exports. It also had Europe's most extensive vineyards, although its grape yields were well bellow those of France and Italy.By the early 1980s Spain's industrial and agricultural exports exceeded those of all the other Mediterranean states put together. Thus the admissionof Spain to the EC would further disavantage those Mediterranean states which were not members and add to EC surpluses of wine and olive-oil and to CAP costs, altough, as a net importer of grain and dairy produce, it would help to reduce EC grain and milk product surpluses.

For Spain the importance of EC accession was primarily political and psychological, marking a "return" to a Europe from wich it had stood apart for too long and a concern to consolidate and enlist European support for the then still fragile restoration of parliamentary democracy and the rule of law. Accession to the EC and the long negotitions that preceded it provided Spain's post-Francoist governments with additional leverage to push through far-reaching measures of political and economic liberalization which brought Spain into line with the laws, procedures, standards and commercial practices of Northwestern Europe.

In june 1989, just after three and a half years after joining the EC, González decided to take spain into the Exchange Rate Mechanism. Spain's decision to join was facilitated by the stength at that time of the peseta, which was buoyed up by the huge influx of foreign investment and private loan capital into Spain after its accession in 1989 and by the high interest rates adopted from mid-1988 onward in an attempt to restrain the ensuing economic boom and inflationary pressures. Spain's economy grew by 5 per cent annually from 1986 to 1989 inclusive and approximately $30 bn of direct foreign investment was pemped into the economy. However, while Spain became a major recipient of EC "structural" and "cohesion" funds, such transfers amounted to less than 1 per cent of its comparatively large GDP in the early 1990s.

Table 1. The Spanish economy, 1985-1994 (%)

	'85	'86	'87	'88	'89	'90	'91	'92	'93	'95
GDP growth	2.3	3.2	5.5	5.3	5.2	3.7	2.3	0.8	-1.0	1.1
Inflation	8.8	8.8	4.6	5.8	6.9	6.7	5.9	5.9	4.6	4.7
Unemployment	23.0	21.5	20.8	20.6	16.2	16.1	16.3	19.6	23.4	24.0

Awash with foreign capital, Spain's per capita GDP rose from 72 per cent of the EC average in 1986 to 78 per cent by 1991. However, while Spain's real GDP trebled between 1964 and 1994, recorded employment remained almost static at 11.7 million, despite a 25 per cent population increase over the same period. This left 3.7 million people, or 24.2 per cent of the workforce, without declared employment in June 1994. Even though up to a million of the regitered unemployed were considered to have significant undeclared earnings from the sizeable "black economy", Spain nevertheless continued to have the EU's highest unemployment levels and this in likely to remain the case throughout the 1990s. The essential problem has been that the expanding economic activities are mainly capital-intensive, whereas the declining ones are mainly labour-intensive.

The *Euro* can be defined as the common monetary system by which the participating members of the European Community will trade. Twelve Member States of the European Union are participating in the common currency. They are: Belgium, Germany, Greece, Spain, France, Ireland, Italy, Luxembourg, The Netherlands, Austria, Portugal, Finland. Denmark, Sweden and the United Kingdom are members of the European Union but are not currently participating in the single currency.The combined countries, now more commonly referred to as Euroland, will fall under one national bank. This bank, the European Central Bank, will determine the economic fate of the entire “Union”. today trade using the Euro has begun. The conversion rates have been set for the eleven nations that will partake. If business outside of the EMU thinks that they will be unaffected by the Euro they have a surprise in store. When it fully takes effect all trade for gods and services will be conducted with the Euro. Companies that trade within the EMU will no longer have to worry about costly conversion rates and delays that is inherent when using different currency for business. As far as trade goes there will be no boarders. Countries that refuse to trade in the Euro may have difficulties. At some point in time they will receive payment for goods or services from an EMU country. If they are not prepared to deal with the EURO they will loose business to competitors that are prepared. Part of being prepared is having the financial software that is compatible with the Euro and opening bank accounts so they can transact with Euro currency. Traveling in Europe will be less of a hassle in regards to exchanging currency.

Europe does not have a centralized tax system to coincide wit the Euro so it may not be so well suited for a single currency union. Maybe in the future as Europe becomes increasingly integrated will with its economies will it become the new currency standard of the globe. Many see the Euro as a positive development for Europe the United States and world economy. The European Economic Union will be the most ambitious economic projects undertaken in this century.

In conclusion the *European Union* is the name of the organization for the countries that have to decide to co-operate on a great number of areas, ranging from a single market economy, foreign policy's, same sets of environmental laws, mutual recognition of school diplomas, to exchange of criminal records are among the few. EU has noted that the current eleven official working languages will be unworkable; an expansion to sixteen or more will be impossible.

The results of the first decade of Spanish EC membership not only accelerated economic growth and structural change, but also brought tangible welfare gains to most of their inhabitats and "progressive" changes in thinking, attitudes, institutions and practices. I think that more important than the programmes themselves was the creation of political coalitions or crossparty consensuses with the necessary degree of resolve to see such prograes through to fruition.

NOTES

EU European Union
EMS European Monetary System
EC European Community
ERM Exchange Rate Mechanism

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