Two vital reference elements in the evolution of the current model of European integration – The Maastricht Treaty and the implementation of the single currency – Euro

Alin Ioan CREȚU
Bucharest University of Economic Studies, Romania
cretu.alinioan@yahoo.com

Alina Ștefania CHENIC
Bucharest University of Economic Studies, Romania
chenicalina@yahoo.com

Abstract. Economic integration involves a double process, as it highlights the whole cause and effect and thus involves the removal of a large number of obstacles to the free movement of goods and services, contributing to the strengthening of economic ties between the states participating in this process. In the context of the Maastricht Treaty, the introduction, implementation and development of the single European currency has a huge relevance and capacity to create fundamental consequences on the economic-financial level and implicitly on the socio-political level. This article aims to highlight the viability and sustainability of the European Union as a form of interstate organization and functioning.

Keywords: model of European integration, Maastricht Treaty, euro, EU sustainability, form of organization and functioning.

JEL Classification: E59, E60, E69.
1. Introduction

The processes of regional integration have produced some changes in the balance of power in economic and especially trade, contributing to the emergence of large-scale global actors. The example of the European Union, which has established itself as a major economic player globally, is emblematic in this respect.

Economic integration involves a double process, because it highlights the cause-effect whole. It therefore entails first and foremost the removal of a large number of obstacles to the free movement of goods and services, helping to strengthen economic ties between the states participating in this process.

2. Literature review

Being one of the first scientists to approach the complex phenomenon of economic integration, the Hungarian economist Bela Alexander Balassa, former professor at Johns Hopkins University and consultant at the World Bank, conceptualized 5 stages that the process of economic integration goes through, namely: free zone exchange, customs union, common market, partial economic and political union and full economic integration.

The regional group that has advanced the most in this process is the European Union, which, after declaring that it has achieved (it is generally true) the stage of the single market, since 1991 has gradually built the stage of Economic and Monetary Union having, currently a single currency (euro) a common monetary policy (for only 19 of the Member States) and a single central bank (European Central Bank).

In line with what he called Jan Timbergen (first Nobel laureate in economics in 1969) as a type of integration, the European grouping has followed the specific line of the process of positive economic integration, that is, “the transfer to new, common institutions of certain powers, competences and to a centralization of the decision-making process”.

Specialists (G. Drăgan, M. Drăgoi, 2013) appreciate that the European Union is difficult to define, because it does not fit into the formal patterns, widely accepted, it can be said that “It is not a simple international organization, but no state, no it has neither all the specific features of a confederation, nor those of a federation. It has no army of its own and no police forces to ensure the protection of European citizens.”

However, if we try to draw a definition, we can say according to the website of the European Union, that it is an “economic and political union in the world, which currently brings together 27 European countries and covers almost the entire continent.”.

The European Union is one of the largest economic actors in the world, being also one of the most open economies. The strategic objective set by the founders of the European Integrative Group was the free movement of goods, services, capital and people. Persevering towards this aggregate and ambitious goal, European decision-makers together with those in the group's Member States have built the largest single market, which gives arguments for industry analysts to say that we find in the global geo-economic picture “the largest bloc” trade in the world, the world's largest exporter of products and services.
Therefore, we have many arguments to say that the European Union is a successful international player and this would indicate that it can be considered a superpower. Despite the eurozone crisis, the European Union presents itself as a significant financial player, and due to the fact that it is arguably the largest trading bloc in the world. By creating the largest single internal market in the world, Europe has become an economic giant. Given its state-of-the-art regulatory and institutional structures, the exemplary technological intensity of the European economy, the highest living standards in the world and cultural and ethical issues, the European Union is a true development model and a benchmark for processes integration taking place in other regions of the planet.

3. The Maastricht Treaty - a brief analysis of the phenomenon in the European Union

The formal beginning of the process of European economic integration took place at the end of the greatest military conflagration that humanity has ever known, at a time when the coefficient of economic disintegration was at a maximum level. To reverse and reduce the degree of disintegration, it was fitting to act on the integration of Western European economies.

By the decision to lay the foundations, from 1950, of the first integrationist community, namely the European Coal and Steel Community (ECSC), which created the premises for the coagulation of economic and political efforts, of six European states, namely Belgium, France, Germany, Italy, Luxembourg and the Netherlands pave the way for the emergence of the most successful economic integration experiment.

After only seven years, in March 1957, two treaties were signed in Rome that laid the foundations of two new economic communities, namely: the European Economic Community (EEC) or the Common Market and the European Community for Cooperation in the Use of Atomic Energy for (EURATOM). Although the Treaty of Rome provided for the achievement of the customs union stage within 12-15 years, marked by considerable economic growth in just 10 years, customs duties on trade between the signatory states and a common customs tariff applicable in relations with third countries has been adopted. The year 1973 is marked by the first enlargement, when Denmark, Ireland and the United Kingdom of Great Britain and Northern Ireland joined the European Union. The European Communities (the three mentioned above) has undergone important changes both economically and institutionally.

After more than four decades, Western European states operated under different treaties, by adopting the Maastricht Treaty in 1993, they became the political and economic entity called the European Union, creating solid regulatory premises for gaining legal personality, which significantly contributed to the reconfiguration of the group's profile at international level. Radical changes in terms of internal functioning but also in terms of external representation have also occurred as a result of the entry into force, starting in 2009, of the quasi-constitutional Treaty of Lisbon. From then until now, the European Union is based on the concept of the rule of law and is also governed by the principle of representative
democracy, given that citizens are directly represented at Union level in the European Parliament and that Member States are represented in within the European Council. Over time, the European Union has expanded its areas of interest, increasing the power and influence of the community with the accession of several Member States.

4. What is (in fact and in law) the Maastricht Treaty?

The Maastricht Treaty, formally known as the Treaty on European Union, is the international agreement responsible for the creation of the European Union (EU) signed in 1991 and entered into force in 1993. The European Union (EU) is currently a group of 27 countries that function as a cohesive economic and political bloc. Nineteen of the countries use the euro as their official currency.

It should be noted that initially representatives from only 12 European countries signed the Treaty on 7 February 1992: Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain and the United Kingdom. Parliaments in each country subsequently ratified the Treaty, in some cases after referendums. The Maastricht Treaty officially entered into force on 1 November 1993 and the European Union was officially established. Since then, 16 other countries have joined the EU and adopted the rules set out in the Maastricht Treaty or subsequent treaties (noting that in the meantime the United Kingdom of Great Britain and Northern Ireland have left the Union following Brexit in 2017 functionally completed in 2020).

The Maastricht Treaty had several major areas of impact. One of these was citizenship. The Treaty, through the formation of the European Union (EU), granted EU citizenship to each person with the citizenship of a Member State. It allowed people to run for local office and in the European Parliament elections in the EU country where they lived, regardless of nationality. It also created a common economic and monetary union, with a central banking system and a common currency (euro (EUR)). The European Central Bank (ECB) had one main objective: to maintain price stability, in practice, in order to protect the value of the single euro currency. It also created a roadmap for the introduction and implementation of the euro.

This began with the free movement of capital between Member States, which then led to increased cooperation between national central banks and increased alignment of economic policy between Member States. The last step was the introduction of the euro itself, along with the implementation of a single monetary policy from the ECB. It also introduced the criteria that countries must meet in order to join the euro.

This was a measure to ensure that the countries joining the euro are stable in terms of inflation, public debt levels, interest rates and exchange rates. Figure 1 below summarizes the key elements of the Treaty of Maastricht in the structure and functioning of the European Union:

1) It made the transition from an economic to a politico-economic organization.
2) Developed the co-decision procedure (between the Parliament and the European Council).
Two vital reference elements in the evolution of the current model of European integration

3) Initiated a monetary union.
4) It has ensured the social dimension of the European Union.
5) It created European citizenship.
6) It enshrined the principle of subsidiarity.

Figure 1. The essential elements brought by the Maastricht Treaty in the structure and functioning of the European Union

[Diagram showing the essential elements brought by the Maastricht Treaty]

Source: European Studies http://hum.port.ac.uk/europeanstudieshub/learning/module-5-history-of-the-european-union/maastricht/

We would note as concrete elements of reference 4 of these 6 defining steps of the Treaty:
1) First, Maastricht created the structure of the three pillars of the EU, and the EEC Treaty was amended and renamed the EC Treaty (or more precisely the Treaty establishing the European Community). More important than the structure itself is what was included in the second and third pillars. Before Maastricht, there were very few political elements in the EEC, and the emphasis on justice, police, security and defense in the Treaty on European Union was generally new in Maastricht. The Treaty on European Union changed the nature of the EU from a large-scale economic organization to a politico-economic one.

2) Secondly, he introduced the co-decision procedure, considerably increasing Parliament's role in certain areas. The co-decision procedure was introduced by the Maastricht Treaty on European Union (1992) and was extended and streamlined by the Treaty of Amsterdam (1999). With the entry into force of the Treaty of Lisbon on 1 December 2009, the ordinary legislative procedure has become the main legislative procedure of the EU decision-making system. The ordinary legislative procedure thus attaches equal importance to the Parliament and the Council of the European Union in a wide range of areas.

3) It paved the way for monetary union for those states that chose to participate - a major integrative step.
Important observation! Although obviously this step highlighted above is an integral part of the Maastricht Treaty, the introduction, implementation and development of the single European currency has a huge relevance and ability to create fundamental economic and financial consequences and implicitly socio-political. For this reason the title of this economic essay is called: “Two vital reference elements in the evolution of the current model of European integration”, although the essential element is in fact the substantive generating element, namely the Maastricht Treaty.

4) It created European citizenship in addition to national citizenship. As mentioned above, EU citizenship means that an EU citizen can live and work and even run for office anywhere in the EU. It also ensures free movement in the European Union without a visa and/or travel passports, based on a single document, the citizen's Identity Card.

Objectives of the European Union with the appearance of the treaty:
- to promote a balanced and sustainable economic and social progress, by creating a space without internal borders, by emphasizing economic and social cohesion and by creating an economic and monetary union that has a single currency in perspective;
- to assert its identity internationally, in particular by promoting a common foreign and security policy, including the definition in perspective of a common defense policy that could lead at some point to a common defense, more precisely to a common army of the Union;
- to strengthen the protection of the rights and interests of nationals of the Member States by establishing a citizenship of the Union;
- to develop close cooperation in the field of justice and home affairs;
- maintain the Community acquis and develop it in order to examine the extent to which the policies and forms of cooperation established by the Treaty will need to be reviewed in order to ensure the effectiveness of the mechanisms of the Community institutions.

5. The advent of the euro – an overwhelming change in the many European countries

An economic and monetary union (EMU) has been a recurring ambition for the European Union since the late 1960s. EMU involves the coordination of economic and fiscal policies, a common monetary policy and a common currency, the euro.

A single currency offers many advantages: it facilitates the development of cross-border trade by companies, the economy becomes more stable, and consumers have more options and opportunities. However, a variety of political and economic obstacles have hampered the path: weak political commitment, divisions over economic priorities and turmoil in international markets. All this has played a role in frustrating progress towards Economic and Monetary Union. The Delors report (after Jacques Delors, then President of the Commission of the European Council), proposed a three-stage preparatory period for economic and monetary union and the euro area, covering the period 1990-1999. European leaders accepted the recommendations of the Delors report. The new Treaty on European Union, which contained the necessary provisions for the implementation of monetary
Two vital reference elements in the evolution of the current model of European integration

Union, was agreed at the European Council in Maastricht, the Netherlands, in December 1991. After a decade of preparations, the euro was launched on 1 January 1999: in the first three years it was an “invisible” currency, used only for accounting purposes and electronic payments. Coins and banknotes were issued on January 1, 2002, and the 12th largest cash exchange in history took place in 12 EU countries.

5.1. Advantages of implementing the single EURO currency

The efficiency of resource allocation is based on the ability of the economic system to use specialization and exchange. People become more prosperous by extending the benefits of peaceful cooperation and division of labor. However, specialization is possible through the expansion of markets, ie by removing barriers to the free movement of goods, capital and labor force. This is one of the most important reasons to understand that the unification of European countries is a way to increase the prosperity of citizens through the widespread use of the principle of specialization and the unrestricted transfer of goods and services.

An obvious advantage of the euro was the reduction of exchange rate risks. In the floating exchange rate system, the continuous changes in trade relations inhibit trade, creating difficulties for exporters and importers. For example, a 2% devaluation of a currency can embarrass a company specializing in foreign trade operations, working with a profit margin of 5%. Strengthening trade between euro area countries and significantly increasing their economies has been largely possible by eliminating transaction costs generated by flexible exchange rates. The transition to a single European currency has made it possible to set fixed rates between euro area currencies.

Another important advantage of the adoption of the euro was the elimination of exchange rate differences. In the absence of a single currency, a Romanian company that exports to Germany receives DM but pays salaries in lei. A huge advantage of adopting the euro has been the elimination of the possibility for national governments to use a discretionary monetary policy to induce some artificial increases by extending credit (Huerta de Soto, 2012).

5.2. Disadvantages of implementing the single EURO currency

A first disadvantage was that the euro stimulated trade in the euro area, representing a way of disciplining national governments, which, before entering this area, used fiscal and monetary policy to achieve populist goals. This is probably one of the real but hidden reasons why many Member States have not yet joined this option.

The second major disadvantage of the euro is that it restricts citizens' freedom of choice. Given the existence of national currencies, there was a money market through which these currencies competed with each other, implicitly generating a freedom of choice for the citizen, who now in the Eurozone, has disappeared.

A third major disadvantage of the single currency is the massive centralization of decisions at EU level, a level with a significant concentration of power in the hands of a small group of individuals, which can jeopardize one of the fundamental principles of the European Union, individual freedom.
6. Conclusions on the implementation of the single currency in the European Union

In conclusion, the adoption of the euro has negative and positive effects. In principle, a common currency facilitates the specialization, exchange and integration of national markets in a supranational, wider market environment. It reduces the transaction costs induced by foreign exchange risk, increasing the benefits of international trade.

From a certain point of view, the euro generates some of the benefits of standard gold, as it reduces the ability of national governments to finance deficits by creating and issuing currency. Moving to the euro, euro area countries have had to deal with convergence, a relatively difficult criterion to accept, to accept fixed exchange rates, which prevents the artificial devaluation of national currencies as a tool to increase competitiveness.


On the territory of our entire country, Romania's official accession to the European Union on January 1, 2007 generated a wave of enthusiasm, confidence and hope - unmatched until then even by the events of December 1989, the fall of the communist regime, a regime that kept us in fear and darkness for 45 years. And not even the official accession to NATO's transatlantic structures in March 2004. Over time, however, this enthusiasm and confidence have faded – even if the great global economic and financial crisis started/felt in Romania in 2008, has shown us a relative solidarity and direction of concerted action and materially quantified by the financial aid received both by us as well as by other Member States in critical condition during the crisis – probably the most edifying example being that of Greece. But there were also many syncopes and especially contradictions between the states that generated the strong core of the Union, aiming at the position towards our country. If we add to these uncomfortable realities the failure of Romania's accession to the Schengen area and the Euro suggestive on the significant diminution of the hopes and confidence not only of the Romanians but in general of the states from the emerging or peripheral area of the Union. Slowly but surely, the citizens of the emerging or peripheral states of the Union have understood that this politico-economic construction is unfair, sometimes even deeply unfair. As if we were together, but we didn't eat at the same meal or the same kind of food.

The exit from the global crisis calmed the spirits and brought a ray of light in the deeply skeptical perception of the Romanians and the citizens of the other Eastern European or Baltic states, which until 1990 were under the domination of the “Soviet communist empire”. In addition, a new state entity Croatia joins EU structures in the summer of 2013, at the end of the global crisis. Things seem to be going well in the Union – especially in the context of future plans to join many other states in the former empire, such as Ukraine, Macedonia, Albania. The conflict between the Russian Federation and Ukraine in 2014, and especially the occupation of Crimea, a component of Ukraine, was thwarted by the Russians in these plans – all the more so as EU membership was conditional on prior accession to NATO's transatlantic structures.
In 2017, however, comes the hardest and most unexpected blow for the European Union – the famous Brexit, the referendum in the United Kingdom, which sanctifies the UK's exit from the Union. Although perhaps initially - by keeping the UK in the European Economic Area, there were still rays of hope regarding the reading until the completion of negotiations and negotiations between the divergent parties, the separation was imminent becoming official on 31 January 2020.

Already unofficially, unrecognized, but almost fully, the feeling of acceptance of the idea of unsustainable and unviable politico-economic construction had settled over the EU. And as if it weren't enough for just a month, maybe a month and a half, in March 2020, the coronavirus-SARS-VOC-2 pandemic that erupted at the end of 2019 in mainland China explodes in Europe.

The picture of the epidemic, which in a very short time, on March 14, 2020 is declared a global pandemic by the World Health Organization - generates a sinister spectacle, almost apocalyptic worldwide, but especially in the European Union, and somewhat inexplicable the elite core of The union is severely affected: Italy, Spain, France, the Netherlands, Belgium, less Germany, but later much stronger the new fugitive from the EU, the United Kingdom. Despair, surprise, strategic and technical-medical unpreparedness create panic, total upheaval, almost absolute lock-down decisions, with almost deserted streets and buildings. A more than strange image that seems to be the work of a supreme magician.

Under these conditions, somewhere between the end of March and the beginning of May, the European Union seems to be completely forgetting that it is a union. Each state for itself is fighting hard to secure new hospital places, massive purchase of protective medical equipment for medical staff, stockpiles of drugs and so much more psychological support, because it does not exist and does not exist until now. a truly effective antidote in the fight against the new virus. Unfortunately, each state seems to be on its own, with the Union deciding to give up the old conditions of the maximum budget deficit.

At this point, confidence in the viability and sustainability of the European Union reaches extremely low levels. Most people end up declaring unofficially that they no longer have the vision of a united Europe.

However, with the exits from the lock-down, with the attenuation of the restrictions of circulation and controlled operation of the economy, an exit from the state of generalized psychosis of the European society appears starting with June, From this moment-even if later new waves would appear of the pandemic, the world is beginning to become much more rational and efficient. As proof, the European Union makes available to the Member States massive allocations of funds for the reconstruction of the economy in the coming years and for the control of the pandemic. Hope is beginning to appear timidly in the eyes and minds of citizens, as there is still room for a European Union as they had seen it in the beginning.

The hope and the seeds of trust in the EU become truly visible with the planning, support and logistical organization of vaccination, even before the authorization of these vaccines by the EMA (European Medicines Agency).
The firm announcement of the equitable distribution of the two authorized vaccines, Pfizer/Biontech and Moderna) in all Member States restores confidence in this interstate organization, which seemed to be falling apart overnight.

Everything becomes much more organized, much more efficient and clear in the regulatory legislative actions of the Parliament, the Council and the European Commission within the Union. Also, the large investments made in advance by the Union in vaccines that are still in the 3rd phase of research, bring back a sense of viable and sustainable partnership.

The world is finally seeing the power and efficiency of the organization in this situation of large-scale mixed crisis – a crisis that affects health, education, the economy, finance, the entire social and political life and last but not least the quality of life of people in general.

References

Ciocârlan, G., Tratatul de la Maastricht
Fișă de Informare nr. 19, Principiul subsidiarității
History and purpose of the euro
Jesús Huerta de Soto, 2012. An Austrian Defense of the Euro,
Maastricht Treaty By Will Kenton

<https://scholar.google.ro/scholar?q=jan+tinbergen+international+economic+integration&hl=ro&a_s_dtt=0&as_vis=1&oi=scholart>
<https://www.investopedia.com/terms/m/maastricht-treaty.asp>