AN OVERVIEW OF THE EUROPEAN UNION AS A MODEL FOR REGIONAL ECONOMIC INTEGRATION

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Abstract

Following the aftermath of the Second World War, the member states of what was later to metamorphose into the European Union (EU) have been making steady strides towards forging a stronger and more formidable union through aligning their unique national attributes and resources for the common welfare of the collective. These strides are not without challenges, whether internally generated or externally imposed. The paper adopts the doctrinal methodology of research by examining statutes and existing body of literature in this area. Despite these challenges, the EU remains a coalition of determined nations resolute in its aspirations and unflinching in the pursuit of common goals. This paper finds that that the success of the EU experiment can be attributed to visionary leaders who conceived a 'supranational community method' in preference to the 'balance of power model'; the strong leadership role of the Franco-German axis in guiding the sometimes floundering ship of the Union. A careful blending of these listed attributes has culminated in the recognition of the EU as the ideal model for regional integration, earning it the Nobel Peace Prize in 2012 'for advancing the causes of peace, reconciliation, democracy and human rights in Europe.

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1. Introduction

The establishment of the European Union as we know it today is the outcome of incremental efforts to curb the outbreak of violent conflicts on a regional and global scale like the First and Second World Wars, by purging the root causes of these deadly conflicts. The Second World War was particularly devastating for continental Europe in terms of human lives lost, massive destructions of social and economic infrastructure and social cohesion. The founding of the European Coal and

Steel Community in 1951 is regarded as the first step towards lasting peace in Europe.[1] On the recommendation of then French Foreign Minister, Robert Schuman, Germany, France, Belgium, Luxembourg, Italy, and the Netherlands signed onto a treaty to integrate their coal and steel industries under common management with the aim of stemming tendencies of any contracting state acting alone to manufacture weapons of war for deployment against other treaty states. The founding countries later expanded their cooperation to encompass other economic sectors with the creation in 1958 of the European Economic Community (EEC) and the European Atomic Energy Community (Euratom) by virtue of the Treaties of Rome 1957.[2] The Common Assembly of the European Coal and Steel Community altered its name to the European Parliamentary Assembly and later to the European Parliament in 1962. In the prescient words of Robert Schuman:

[1] See, https://european-union.europa.eu/principles-countries-history/history-eu_en, accessed 27 July, 2023.

[2] See https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:11957A/TXT&from=EN, and https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=LEGISSUM:xy0023accessed 15 July, 2023. [3] Culled from the text of the Schuman Declaration, May 1950, available at: Schuman declaration May 1950 |European Union (europa.eu), accessed 3 February 2023.

The pooling of coal and steel production should immediately provide for the setting up of common foundations for economic development as a first step in the federation of Europe, and will change the destinies of those regions which have long been devoted to the manufacture of munitions of war, of which they have been the most constant victims. The solidarity in production thus established will make it plain that any war between France and Germany becomes not merely unthinkable, but materially impossible.[3]

On the 3rd of May 1960, the European Free Trade Association (EFTA) was established for the promotion of free trade and economic integration with non EEC countries. The first Common Agricultural Policy (CAP) was introduced in 1962[3] providing joint control over food production among member states. In April 1965 the Merger Treaty combining the executives of the existing 3 Communities into a single administrative arm (i.e., the Commission) and a single executive body (i.e., the Council) was signed.[4] A Customs Union was created in July 1968 with the elimination of customs duties on goods imported from member states, allowing for free cross-border trade and the imposition of identical duties on imports from non-member states.[5] In 1973, the United Kingdom, Ireland and Denmark joined the European Communities. The oil crisis in the Middle East that negatively impacted Europe led to the creation of the European Regional Development Fund to assist the poor regions with the creation of infrastructure, more employment, and increased investments. From 1974 to 1979 saw the emergence of additional democracies in Spain, Portugal, and Greece and the first direct elections into the European Parliament.[6] The collapse of communism in Eastern and Central Europe in 1989 was preceded by the absorption of newly democratized countries into the Union and the advancement towards a single market

[3] Common Agricultural Policy (Articles 38 -47), Common Trade Policy (Articles 110-116), and Transport Policy (Articles 74-84).

[4] See, https://www.europarl.europa.eu/about-parliament/en/in-the-past/the-parliament-and-the-treaties/mergertreaty, accessed 29 July, 2023.

[5] See, https://taxation-customs.ec.europa.eu/50-years-eu-customs-union_en, accessed 17 July 2023.

[6] *Ibid*

to address through the Single European Act the free movement of persons, goods, services, and capital across borders.[7]

The initial signs of the breakup of the former Yugoslavia began to escalate in 1991, with the Maastricht Treaty establishing the European Union signed the following year effective from November 1st, 1993.[8] The Treaty created rules for the setting up of a single currency, foreign and security policy and cooperation in justice and home affairs. With the single market fully in place by 1993, the European Economic Area was created in 1994 extending the single market to the members of the EFTA. Austria, Sweden, and Finland joined the Union in 1995, followed by the introduction of the Schengen.

Agreement dispensing with passport controls in 7 countries in the first instance. The Treaty of Amsterdam was signed in 1997 providing more broadly for citizens' rights and employment matters and the Euro was introduced in 1999 initially in 11 EU countries for financial and commercial transactions.[9] Following the terrorist attacks in the United States in 2001, greater cooperation in the area of global security is enhanced, including peacekeeping operations in the Balkans. Ten new countries join the EU in May 2004, and Bulgaria and Romania in 2007 bringing the total number of member states to 27. All 27 state members signed the Treaty of Lisbon that same year and ushered in a more vibrant, transparent, democratic, and efficient Union better able to address global problems and challenges.[10] An EU Constitution had been introduced in 2005 and the global financial crisis of 2008 led to greater economic cooperation among EU countries. Croatia joined the Union in 2013 but not long thereafter and with the inflow of over a million asylum seekers flooding into Europe, the United Kingdom decided in a 2016 referendum to leave the EU.[11] The paper considers

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[7] *Ibid*.

[8] See, https://www.europarl.europa.eu/about-parliament/en/in-the-past/the-parliament-and-thetreaties/maastricht-treaty, accessed 21 July, 2023.

[9] See, https://european-union.europa.eu/principles-countries-history/history-eu/1990-99_en, accessed 22 July, 2023.

[10] See, https://www.europarl.europa.eu/about-parliament/en/in-the-past/the-parliament-and-the-treaties/treaty-oflisbon, accessed 20 July, 2023.

[11] See, https://commission.europa.eu/strategy-and-policy/relations-non-eu-countries/relations-unitedkingdom_en, accessed 16 July,2023.

the political factors and economic implications of EU regional integration as well as the challenges of implementation and the way forward for other regional proposals.

2. Unique Traits of the EU and the EU Structure

The EU has been described as a unique partnership between 27 countries covering most of Europe with an estimated population of 447 million people and approximately 6 percent of the world's population. Although member states of the EU continue to maintain their sovereignty and independence, they have ceded some of their decision making authority to EU institutions in specific areas for the common good of all EU citizens. Governed by the principle of representative democracy, EU citizens are directly represented in the European Parliament, while member states are represented in the European Council and the Council of the European Union.

The Union is founded on the values of human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities. These values are common to the Member States in a society in which pluralism, non-discrimination, tolerance, solidarity and equality between women and men prevail.[12]

Although, the EU started out as essentially an economic union with a vast single (internal) market, it has since expanded its reach into other important policy areas like health, security, justice, environment, and external relations. The preamble to the Treaty on European Union (TEU) identifies the following economic objectives for member states:

the strengthening and the convergence of their economies and to establish an economic and monetary union including, in accordance with the provisions of this Treaty and of the Treaty on the functioning of the European Union (TFEU), a single and stable currency.[13]

With the abolition of border controls, movement between the member's states has become enhanced with citizens having the option to live and work in any member state of their choosing and entitled to

[12] Article 2 of the Treaty on the European Union.

[13] Preamble to the Treaty Establishing the European Union, available at: Preamble Treaty on European Union(lexparency.org), accessed 23 July, 2023.

be treated uniformly in matters relating to employment, taxation, and social security. EU citizens are also entitled to political rights and to stand as candidates in the European Parliamentary elections. Jurisdiction over matters relating to EU law has been conferred on the Court of Justice of the European Union with final binding authority. This delegation of significant rule-making authority by member states to shared institutions within the EU framework is viewed as vital and unique trait of the EU experiment.

The institutions involved in decision making at the EU level include:

i. The European Parliament elected by EU citizens to represent their interests.
ii. The European Council which consists of the Heads of State or Government of EU member states.
iii. The Council of the European Union representing the governments of member states, and,
iv. The European Commission which represents the collective interests of the EU.

These identified bodies are supported by the national parliaments of member states as well as the European Committee of the Regions (consisting of representatives of regional and local governments) and the European Economic and Social Committee (made up of employees, employers, and stakeholder representatives. The advisory bodies and national parliaments engage in the decision-making process on the principles of *subsidiarity* and *proportionality*.

a. **The European Parliament** has responsibility for approving, amending and/or rejecting EU laws based on proposals made by the Commission, enlargement of the EU, electing the president of the Commission as recommended by member states, deciding on international agreements, and overseeing the duties of the Commission. The EU Parliament operates through about 20 committees and sub-committees as well as plenary sessions to vote on proposed legislation.

b. **The European Council** is made up of Heads of State or Government of all EU members, the President of the EU Commission, and the High Representative of the Union for Foreign Affairs and Security Policy.

The Council in setting the political agenda of the EU operates through summit meetings and decisions are either unanimous or by qualified privilege. The Council resolves complex issues beyond the scope of the intergovernmental cooperation level, determines the EUs common foreign and security policies, nominates, and appoints candidates to high profile EU positions.

c. **The Council of the European Union** in collaboration with the EU Parliament is the main decision-making organ of the EU. The presidency of the Council of the European Union is rotated every 6-months among the member states. The Council negotiates and adopts EU laws in tandem with the EU Parliament as proposed by the Commission, coordinates EU policies of member states, develops the foreign and security policies in accordance with Council guidelines, concludes agreements with other countries and international organizations, in addition to adopting the annual EU budget together with the EU Parliament.

d. **The European Commission** handles the day-to-day workings of the EU and is the only EU body empowered to propose legislation upon request from the Council or Parliament. It is composed of 27 commissioners from member states including its president and vice presidents, each commissioner serves for a 5-year term with a specific policy area of focus. Decision making is based on collective responsibility; although decisions are usually consensual some decisions are made on a simple majority. The roles of the Consultative Committees are advisory in nature towards Parliament, the Council or the Commission and they can express opinions on proposed legislative instruments. While the European Economic and Social Committee stand in for organized civil society, the European Committee of the Regions represents the interests of regional and local authorities. The EU administration is also supported by the various National Parliaments who are empowered to provide opinions on proposed laws and political initiatives. Other relevant institutions are the European Central Bank responsible for the monetary policy of members of the Eurozone, the European Investment Bank, and the various EU agencies.

The EU is a community of law, with a mandate derived from the Treaties, but with the restriction that a law cannot be enacted if it concerns a policy area not cited in any of the relevant treaties. Values play a central role in defining what the EU is, with the three Copenhagen criteria[14] offering a succinct definition. Membership requires a country to have stable and democratic political institutions, to have a functioning market economy, and to accept the *acquis communautaire*[15] of laws agreed since the 1950s.[16]

3. The EU Single Market

At the Centre of the EU is the single market which was introduced in the 1980s to eliminate a vast number of non-tariff barriers in addition to the pre-existing removal of tariffs and quotas and also transferred certain executive powers from the national to the supranational level thus limiting the authority of member states to exercise regulatory sovereignty.[17] The Single European Act 1986 which launched measures to be undertaken to remove barriers to free movement was primarily instrumental in the actualization of the single market agenda. Specific non-tariff barriers addressed administrative border control measures, and customs formalities, while technical barriers were addressed through the harmonization of national standards and regulatory requirements inclusive of rules on public procurement. Finally, were fiscal barriers in the form of differences in the range of indirect taxes imposed by member states? The principle of mutual recognition underscored in the 1979 *Cassis de Dijon* decision,[17] which established that a product adjudged as lawful in any member state may not be prohibited in another state based on a different national law was equally instrumental in shaping the EU single market. In terms of

[14] Itemizing the criteria to be complied with by candidates seeking membership.
[15] An accumulation of legislation, legal acts and court decisions that make up the European Union law.
[16] Iain Begg, "The European Union and Regional Economic Integration: Creating Collective Public Goods – Past, Present and Future", available at: The European Union and regional economic integration (europa.eu), accessed 14 July, 2023.
[17] See, EUR-Lex - xy0027 - EN - EUR-Lex (europa.eu), accessed 14 February 2023.
[17] Case 120/78 Cassis de Dijon [1979] ECR 649.

economic governance, the EU functions primarily as a regulator of the single market supported by a special purpose fund for administrative and other objectives. In view of the ever expanding scope of trade liberalization, the EU single market agenda is an evolving one in the digital and energy sectors and the freedom of movement of services. Also, certain 'services of general interest' in the public sector although covered by EU rules are excluded from the freedoms available within the common market. EUs competition policy is a unique feature of the single market and addresses abuses of market power, controls on mergers and the imposition of limitations on subsidies and state aids for corporate entities. Regulatory competence and enforcement of competition matters is shared between the EU and member states with the upper hand accorded to the EU in the event of a dispute. A practical single market allows for competition and exchange of commodities, improves efficiency, increases quality, and leads to price reductions. In the context of the European single market, it is a market that strives to preserve the freedom of movement of products, resources, services, and labor, as 'four freedoms'' within the European Union (EU).

3.1 Emergence of the Single Market

The single market was positioned to be opened by the end of 1992; however, no legal obligation existed. Hence, the delays caused by resistance from governments and pressure groups meant that progress made in creating an 'area without frontiers' was uneven. For individuals, the freedom of movement and of establishment, already authorized for employed persons and businessman, was extended to 'persons not in paid employment' (students, pensioners and people living on annuities). Consequent progress was significantly made in the mutual recognition of qualifications, and the elimination of border checks on persons would be achieved under the Schengen Agreement.[18]

Customs formalities on goods, reduced on 1 January 1988, were eliminated on 1 January 1993, trading on the Community market was

[18] See, The Schengen Agreement - History and the Definition (schengenvisainfo.com), accessed 15 July, 2023.

facilitated by the mutual recognition of product manufacturing norms, provided that they met basic health and safety requirements which were the subject of 'streamlined directives' proposed by the Commission and adopted by the Council by majority voting. Typically, single markets grow gradually, often with few countries initially involved and subsequent expansion, when other countries see the costs of non-adhesion. The formation and extension depending on the number of participants and their levels of development, usually involves highly complex negotiations. In developing countries, the scope may be broader, relative to the single market, of goods and services as well as underdeveloped capital and credit markets. The inherent benefits of the single market are numerous, and they include:

i. Passing rules that encourage the free movement and competitiveness of goods and services.
ii. Eliminating barriers to trade within the EU and preventing new ones from being established.
iii. Promoting a business-friendly environment focused on open, easy, and consistent legislation providing a straightforward legislative framework.

In a bid, to meet the above objectives, the EU has provided benefits, such as:

a. Reducing production costs due to economies of scale
b. Exchange/Transfer of skills across the single market
c. Mobility of labour
d. Creation of an arrangement in which free market access promotes trade.
e. The exploitation of economies of scale by local firms as their markets expand

4. Challenges of the Single Market

Despite the enormous benefits the single market entails, it is still bedeviled with its own peculiar challenges. Some of these are:

i. Diversion of trade can result from a single market member, as more efficient nonmembers from local markets are overwhelmed.
ii. Reduced wages earned as migrant labor may drive down local wages.

iii. Members may look inward, and their businesses cannot adapt to global economic changes.
iv. The lost possibilities of exploiting closer relations with non-members through free trade deals (allowed at least in the European Single market) between individual members and non-members.
v. Increasing negative external components linked tom freedom of movement, including infrastructure pressures, and insufficient supply of commodities such as healthcare and education.

5. **The EU as an Economic & Monetary Union**

The Economic and Monetary union (EMU) presupposes a major forward step in the integration of EU economies. Operational in the year 1992, the EMU involves the coordination of economic and fiscal policies, a common monetary policy, and a common currency. The decision to form an Economic and Monetary Union was taken by the European Council in the Dutch city of Maastricht in December 1991, and was subsequently enshrined in the Treaty on European Union (Maastricht Treaty). The Maastricht Treaty laid down the three-stage process in which EMU was to be established:

Stage 1:

Stage one, which began on 1 July 1990 and ended on the 31 December 1993, saw the removal of barriers to the free movement of capital (Member States were obliged to provide for the full liberalizations of capital flows). Emphasis was placed on the increased coordination of individual economic policies and strengthening cooperation between central banks, member states were also obliged to adopt measures relating to the prohibition of the financing of the public sector by the central bank.

Stage 2:

Establishment of the European Monetary Institute (EMI), the predecessor to the European Central Bank (ECB), marked the start of the second stage.

Stage 3:

The Euro system comprises the ECB and the national central banks of EU Member States that have adopted the euro. The new central bank, namely the ECB, which was established on 1 June 1998, began operating and assumed the tasks of the EMI. Following verification of compliance with convergence criteria for the introduction of the euro, a decision was taken as to which Member States would participate in stage three of EMU. The conversion rates for the currencies of these countries were irrevocably fixed, the currencies becoming subdivisions of the euro.

Economic and Monetary Union places the EU in a very viable position in the process of economic integration, which started in 1957, when it was founded. Economic integration brings the benefits of greater size, internal efficiencies, and robustness to the EU economy as a whole and to the economies of the individual Member States. In return, this offers opportunities for economic stability, higher growth, and more employment-outcomes of direct benefit to EU citizens. In practical terms, the EMU connotes:

i. Synergy of economic policymaking between Member States.
ii. Coordination of fiscal policies, notably through limits on government debt and deficit.
iii. Independent monetary policies run by the European Central Bank (ECB).
iv. Single rules and supervision of financial institutions within the euro area.
v. The single currency and the euro area.

The EUs Economic and Monetary Union connect the economic and fiscal policies of member states by harmonizing the rules applicable to its financial institutions, monetary policies, and a single currency. All 27 EU member states are part of the Economic and Monetary Union, but only 19 states making up the euro area have adopted the euro as the regional currency. Although, the drive towards monetary integration was mooted right from the 1960s, however, the modalities for achieving this were fraught with disagreements and challenges, resulting in a long incubation period for this to crystalize. The EU experimented with limited monetary cooperation in the 1970s to regulate exchange rate fluctuations while at the same time providing some flexibility (aptly described as the 'snake-in-the-tunnel' exchange policy).[19] This was replaced by a more stable European Monetary System (EMS) introduced in 1979 and eventually substituted with the Maastricht Treaty paving the way for the creation of a single currency. Under the Maastricht Treaty both Denmark and the United Kingdom were granted the opportunity to 'opt-out' while other member states were subjected to meeting the entry criteria.

The European Central Bank (ECB) is charged with the responsibility for maintaining price stability in addition to pursuing other economic goals. It enjoys significant independence stemming from its hierarchical mandate vis-à-vis the central banks of the member states. To maintain price stability, it seeks to achieve an inflationary rate of less than 2 percent, with considerable flexibility on the means to attain that goal. The ECB stands above the national banks in determining macroeconomic policies of the EU and is bound to act in the overall interest of the Eurozone.

The EUs economic and financial policies are targeted at creating jobs and boosting investments; improving the efficient functioning of the economic and monetary union; preserving financial stability and protecting taxpayers during financial crisis; regulating financial institutions and complex financial products; promoting economic stability and strengthening the international role of the euro as a regional currency. In recent years, the EU has taken steps to resolve institutional weaknesses exposed by the 2008 financial crisis by strengthening economic governance, introducing a system to improve financial stability within the Eurozone, improving the public finances of member states. The EU has also taken steps to improve investments, strengthened the regulatory oversight of banks in the Eurozone and applied harmonized rules to augment the resilience of EU financial institutions.[20]

The incomplete nature of the EU monetary union, carrying the participating and nonparticipating states along on policy decisions affecting the EU as a collective. For instance, to establish new funds at

[19] See Andreas Lowenfeld, *International Economic Law*, 2ed. Oxford University Press, pp. 772-780. [20]The EU - what it is and what it does (europa.eu), accessed 13 July, 2023.

short notice for the 2010 Greece bailout, two funds had to be established, the European Financial Stabilisation Mechanism backed by the EU budget and the European Financial Stability Facility affecting only the Eurozone.

Another example of this fractured nature of EUs monetary union was the attempt to adopt more intrusive fiscal governance through the Fiscal Compact. It was blocked by both the United Kingdom and the Czech Republic resulting to a distinct Treaty on Stability, Coordination and Governance outside the scope of the main EU Treaties. The resort to a separate inter-governmental treaty to address very important regional challenges came in handy when the temporary EFSF was transformed into a permanent fund – the European Stability Mechanism (ESM) as an international financial institution to support members of the Eurozone experiencing severe financial crisis.[20]

5.1 Economic Administration/Organization under the EMU

Within the ranks of the EMU, there is no single institution responsible for economic policy. Instead, the responsibility is divided between Member States and the EU institutions. The main actors within the EMU are:

i. The European Council- Sets the main policy orientations.
ii. The Council of the EU ('the Council')- coordinates EU economic policy making and decides whether a Member State may adopt the euro.
iii. The 'Euro group'- coordinates policies of common interest for the euro-area Member States.
iv. The Member States- set their national budgets within agreed limits for deficit and debt, and determine their own structural policies involving labor, pensions, and capital markets.
v. The European Commission- monitors performance and compliance.
vi. The European Central Bank (ECB)- sets monetary policy, with price stability as the primary objective and act as central supervisor of financial institutions in the euro area.

[20] About us I European Stability Mechanism (europa.eu). See also, Iain Begg, *op.cit.*, at pp. 5-6.

vii. The European Parliament- shares the job of formulating legislation with the council, and subject's economic governance to democratic scrutiny in particular through the new

viii. Economic Dialogue.

6. Social Integration in the EU

Beyond the inclination to treat the EU as essentially an economic and political system expressing as a compromise between Unitarianism and federalism/confederacy, there is a counter-perspective that views the EU experiment as an amalgamation of several unique projects like policy cohesion, a single market, a European constitution, the Schengen region, and a single currency with the constant challenges of systems integration. A third perspective is to view the EU as a *social space* created as a result of the pooling of sovereignties and the emergence of common economic and political institutions. The tendency towards the creation of a *de facto* European proto society comprised of the various citizens of the member states is inevitable. Added to this emerging society is the unique ability of EU citizens to enforce its regional laws against state members and regional institutions. This emerging social space is intensified by the increasingly permeable internal borders allowing for closer community interactions of EU citizens and exists side by side with the national societies.

Viewing the EU as a social space can reveal the degree to which amalgamation between states (which is managed from above by governments and diplomatic corps) is accompanied by a growing integration from below (which is mainly a consequence of street-level interactions between European citizens).[21]

The responsibility for employment and social affairs is handled jointly by the EU and member states. The EUs employment and social

[21] See Jan Delhey, "European social integration: From convergence of countries to transnational relations between peoples", WZB Discussion Paper, No. SP I 2004-201, available at European social integration: Fromconvergence of countries to transnational relations between peoples (econstor.eu), accessed 17 July, 2023. [23] The EU - what it is and what it does (europa.eu), accessed 19 July, 2023.

policies are targeted at creating quality employment either within their own or another member state, promoting skills and entrepreneurship, coordinating social security schemes, improving working conditions with the interjection of common minimum standards, supporting social inclusion, and combating poverty and homelessness as well as protecting the rights of people with disabilities. The *EU Social Fund Plus* is designed to assist EU citizens acquire new skills for securing better jobs. The *Youth Guarantee* ensures that all citizens below thirty (30) receive qualitative and tangible offers of employment upon concluding formal education. The newly introduced *Aim, Learn, Master, achieve (ALMA)* initiative supports vulnerable and disadvantaged youngsters in accessing employment opportunities or relevant trainings. All these efforts are supported by the *European Pillar of Social Rights* stipulating rights and principles on equal employment opportunities in the labour market and fair working conditions. Likewise, the EU rules on social security coordination protects the social security rights of peoples as they move within the EU, Iceland, Norway, Liechtenstein, and Switzerland.[23]
All these initiatives are designed to support and facilitate the emergence of a socially integrated Europe forged upon the attributes of interdependence, cohesiveness and transnational linkages that allows for the creation of strong social bonds amongst citizens of various nationalities.[22]

6.1 The EU as a Political Union

European countries are becoming increasingly politically integrated through the European Union (EU), and the process of integration has accelerated in recent years. Political integration is the process by which nation-states selectively pool their sovereignty and set up institutions of supranational governance. A broader definition would also include the standardisation and harmonisation of policies and regulations. *Neo-functionalist, institutionalist* and *transaction list* approaches compete to explain this process and synoptic models try to build bridges across these theoretical perspectives. A few publications on European-level policy making exists, and attempts have recently

[22] *Ibid*.

been made to establish a common framework for evaluating the EU as a political system.[25]

The Concept of integration can be viewed from three different opinions:

a) As a sense of Community- the attainment, within a territory, of a 'sense of community' and of institutions and practices strong enough and widespread enough to assure, for a considerable length of time, dependable expectations of nonviolent change.
b) A second meaning attached to integration is transactional. The more two territories exchange information, capital, goods, and people, the more they are integrated. The emphasis here is on exchange which is often referred to as "transactions".
c) Integration is described as one end point of a continuum of international relations, with the other being conflict. Integration is synonymous with successful international relations because actors of two systems are mutually relevant to each other and co-vary positively in their rewards and interests. Mutual relevance and compatibility of interests are employed to assess international relations in a two-dimensional scheme.

The EU is often described as a *sui generis* political contraption which meshes attributes of a federalist entity with those of a confederacy and being able to man oeuvre through challenging obstacles whilst avoiding being conceptually categorised in its political identity. It is a juridical person at the international law and operates a hybridized intergovernmental and supranational decision-making process on the *conferral/proportionality* principle (which posits that its institutions may only act in accordance with specific treaty obligations) and the *subsidiarity* principle (which connotes that it may only act where the objectives to be attained cannot be effectively handled independently by the component member states). It acts as a collective power/unit at the G20, the G7, the United Nations and the World Trade Organisation with permanent diplomatic missions worldwide. An earlier attempt to usher in an EU Constitution was scuttled in referenda conducted in the Netherlands and in France, opting instead for a diluted version as contained in the Treaty of Lisbon.

With internal hesitancy regarding the ultimate goal of a full political union, the disparities between member states in terms of socioeconomic stability, in reaching consensus on sensitive policy areas, and reluctance to give up national identities will probably remain intractable clogs in attaining complete political union in the foreseeable future. Some frontline leaders like Emmanuel Macron appear to be leaning more towards forms of variable geometry or differentiated integration in recognition of EUs antecedents of accommodating derogations, opt-outs and other forms of nonparticipation, while steadily pursuing wider and deeper integration.[23]

Where the EU goes next is a question always on the table, given added salience by Brexit, the unprecedented secession of a member state, albeit one frequently considered to be awkward and unenthusiastic. Even without the UK, decision-making has undeniably become more unwieldy in a Union with …27 members of greater diversity than in earlier decades and several candidates likely to increase its diversity.

7. Challenges of the EU Regional Economic Integration

The elimination of barriers to trade and adoption of necessary measures to advance the single market can be categorized as 'negative integration' as distinguishable from 'positive integration' which usually involves correcting and regulating the market or introducing regulatory harmonisation of national laws. Because positive integration is likely to be limited by the need for consensus, it is tempting to view the EU integration process as comprising mostly of negative integration measures. Certain categories of policy problems are not likely to be effectively resolved at the EU level due to differing national preferences. At the same time, the need to maintain competitiveness in a single market could compel the adoption of regional based solutions. However, and as observed elsewhere, there seems to be 'a general loss of problem-solving capacity in the multi-level European polity and, hence, a loss of output-oriented democratic legitimacy'.[24] Thus, in many areas, it seems 'policy areas, market

[23] See, Initiative pour l'Europe - Discours d'Emmanuel Macron pour une Europe souveraine, unie, démocratique.| Élysée (elysee.fr), accessed 16 July, 2023.

[24] F.W. Scharpf, *Governing in Europe: Effective and Democratic?* (1999) Oxford University Press, p. 83. [28] G. Majone, *Dilemmas of European Integration: The*

integration have been sacrificed to social concerns or to political expediency. As a result, laws on minimum wages, collective bargaining, hiring and firing, duration of the working week, flexible labor contracts, qualifications, and a host of other factors continue to differ among the member states'.[28] The growth of the EU necessitates a commensurate strengthening of its economic and political institutions in terms of capacity and coordination. One such area requiring attention is the effective fiscal coordination and regulation of the financial system coupled with the proper implementation of the austerity measures introduced by member states. The economic fragility of some Eurozone countries like Spain, Portugal and Greece and the gradual shifting of economic wealth in the direction of Asia may be cause for concern. The EU appears to be losing its competitiveness to emerging markets like India, Brazil, China, and Russia with its share of global GDP dipping from 24 percent to 22 percent between 1990 and 2010.[25] With an aging population soon to exit the labour force, and insufficient resources devoted to innovation, in addition to increased energy and commodity prices, it will become increasingly difficult for the EU to redirect its economic trajectory and to compete effectively with the labour market in Asia.

Secondly, the EU member states need to increasingly speak with one voice at international for a match the regional integration efforts with increased solidarity. "A single European voice is needed in all forums of global economic governance, including discussions on climate change and energy security. But this will not be easy to achieve given the continuing attachment most EU member states have to their own seats or shared constituencies in the international financial institutions."[30]

Next challenge for the EU is to resolve its identity problem. Although there have been advancements in terms of EUs breadth and depth with its transition from a custom union to a single market and then to a

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Ambiguities and Pitfalls of Integration by Stealth, Oxford University Press (2005) p. 161. See also, Iain Begg, *op.cit*., n. 15 at p. 6.

[25] See Frazer Cameron, 'The European Union as a Model for Regional Integration', available at: The EuropeanUnion as a Model for Regional Integration | Council on Foreign Relations (cfr.org), accessed 11 July, 2023.[30] Ibid, p. 3.

Eurozone, with increased membership, a need to strengthen its political institutions to match the level of integration remains challenging. Other related challenges can be summarised as enlargement, integration, and fiscal policy of the European Union: How to integrate the new member states? Will the economic situation in these countries improve? How much money should the Union invest in each country and how should improvement be monitored and measured? To what extent is the enlargement profitable for the old member states?

There is also the problem of the so called "democratic deficit", the elimination of which requires a restructuring of European Institutions. How will political structures change and what will be the steps towards the envisaged final status of unitary legislation?

8. The EU and Other Regional Groupings

Some regional economic groupings around the globe include, the African Union (AU), the Union of South American Nations (USAN), the Caribbean Community (CARICOM), Central American Integration System (SICA), Arab League (AL), the Eurasian Economic Community (EAEC), Association of Southeast Asian Nations (ASEAN), North American Free Trade Agreement (now US-Mexico-Canada Free Trade Agreement), and the Common Market of the South (MERCOSUR). These examples can be grouped into Economic and Monetary Unions, Customs Unions, Common Market, Multilateral Free Trade Areas and Customs and Monetary Unions.

According to *Bela Balassa*, there are five basic forms of economic integration, namely: Free Trade Areas, which enable unrestricted imports and exports among participating countries while being allowed to enter into separate agreements with non-participating states; Customs Unions, which allow for free internal trade with common external policy for non-participating countries; Common Markets with freedom of movement of the factors of production and trade in services; Economic Unions, imposing common membership rules and more extensive coordination of national economic policies and total Integration, which entails the adoption of a single currency.[26]

However, it has been argued (and for valid reasons) that similar regional experiments around the world do not come anywhere near the success story of the EU in terms of political and economic cooperation and the sharing of sovereignty. The major reason for this shortcoming with other economic groupings is the absence of historical reconciliation and the political will to match the rhetoric of closer economic and regional cooperation. Part of the success story of the EU is its ability to achieve remarkable historical reconciliation between Germany and France over a significant period of determined political will to anchor the European integration dream on a solid foundation. This collaboration between Germany and France has assisted tremendously in overcoming obstacles and challenges along the integration course over the past 65 years. According to a commentator:

In stark contrast, there has been no such effort in many other parts of the world where there are ambitions of regional integration. In East Asia, for example, there can be no integration without genuine reconciliation between Japan and China, and Japan and Korea. The East Asia experience is replicated elsewhere with unresolved problems and deep suspicions between, for example, Brazil and Argentina, India and Pakistan, and Saudi Arabia and its neighbours. Only after historical reconciliation can countries proceed gradually along the various steps required to create a regional community such as a free trade area, customs union, a single market, a single currency, a common passport area, and a common foreign policy.[27]

The core *modus operandi* of sharing sovereignty among member states and pursuing a collective agenda through well-forged common institutions sets the EU apart from other regional experiments. As a pioneer in regional integration, some of the unique attributes of the EU

[26] Bela Balassa, *The Theory of Economic Integration*, Greenwood Press, 1961, available at: Theory of EconomicIntegration (Belassa).pdf (itam.mx), accessed 27 July, 2023.

[27] Frazer Cameron, "The European Union as a Model for Regional Integration", Working Paper, September 2010, Council on Foreign Relations (International Institutions and Global Governance Program), available at: [34] Ibid, p. 1.

experiment are its visionary politicians who boldly opted for the supranational community model instead of the balance of power configuration. Secondly, and as identified above, the leadership roles of the Franco-German axis as the driving force behind the sustenance of the EU experiment. Thirdly, the political will to share sovereignty and to forge strong common institutions founded on legal instruments to guide the integration process and finally, the adoption of the consensus approach backed by mutual tolerance and solidarity and the willingness to support less financially stable member states to meet up with assumed obligations.[34]

9. Conclusion

The one-of-a-kind position occupied by the EU in terms of regional integration is unmatched and unrivalled in recent memory. Despite the constant challenges it faces in corralling its constituent units in an uneasy amalgam towards wider and ever deeper integration on varied levels, it has survived threats to its disintegration on several occasions based on the resolute doggedness of its member states led by the French German axis. The EU system remains the undisputed model for regional integration due essentially to the political will of member states to forge ahead despite the odds and the appreciation of the common benefits derivable from such a union for socioeconomic development, conflict reduction/avoidance and in presenting a strong and powerful coalition in international relations and global governance. These are a few insights from the success of the EU story worthy of emulation by other regional experiments.