The Creation of the European Union

When World War II came to an end in 1945, many in Europe sought ways to avoid future disputes by promoting cooperation and interdependence among the countries of Europe. The first organizations to emerge from this process were aimed at strengthening economic ties among the different countries. The Schuman Plan for establishing a European Coal and Steel Community (ECSC) was put forward in accordance with the Treaty of Paris. The agreement was signed on **April 18, 1951** by *Belgium, the Federal Republic of Germany, France, Italy, Luxembourg and the Netherlands*. Its purpose was to set up a common market for the member countries' resources of coal, steel, iron ore, and scrap. It began operations on July 25, 1952.

The Treaties of Rome established the European Economic Community (EEC) and the European Atomic Energy Community (EURATOM) on January 1, 1958. The purpose of the EEC was to integrate, over a 12-year transition period, the members' economic resources other than coal and steel into an economic union within which goods, labor, services, and capital would move freely. Common policies for foreign trade, agriculture, and transport would also be implemented. The purpose of EURATOM was to create the conditions necessary for the speedy establishment and growth of nuclear industries with the Community. It also was to have various responsibilities of a regulatory nature.

The treaty establishing a single Council of Ministers and a single Commission of the European Communities was signed in Brussels on April 8, 1965, among the original member countries of the three Communities: European Coal and Steel Community (ECSC), the European Economic Community (EEC), and the European Atomic Energy Community (EURATOM). The treaty went into effect on July 1, 1967, merging these three organizations under a single Council of Ministers and a single Commission known as the European Community (EC).

The customs union among the original six members became effective July 1, 1968. In 1970, cooperation began in the sphere of foreign policy, termed European Political Cooperation (EPC). *Denmark, Ireland and the United Kingdom* joined the European Community (EC) **January 1, 1973**. Custom duties among all member nations were abolished on July 1, 1977. *Greece* became a member **January 1, 1981**, with a transitional five-year arrangement. *Spain and Portugal* became members **January 1, 1986**. *Austria, Finland and Sweden* joined **January 1, 1995**.

On December 5, 1978, the European Council, composed of heads of state and government of the countries of the European Community, adopted a resolution regarding the establishment of a European Monetary System (EMS). The EMS entered into force March 13, 1979. The aim of the EMS is the creation of a closer monetary cooperation leading to a zone of monetary stability in Europe. The European Currency Unit (ECU) is the centerpiece of the EMS. The Treaty of European Union provided for a common currency no later than 1999.

The single market has opened up new markets for European integration including that of an Economic and Monetary Union (EMU). The EMU is a three-step process. On July 1, 1990, the European Community entered stage one, which aimed at improving economic and monetary policies in the member states including the removal of most exchange controls. After German unification in 1990, work began on the Maastricht Treaty, which went into effect January 1, 1993, transforming the European Community into a European Union. The Maastricht Treaty provided the legal basis for stage two, which began January 1, 1994, creating a European Monetary Institute (EMI). This paved the way for a European System of Central Banks at the beginning of stage three, and the introduction of a single currency, the EURO, in 1999.

On **May 1, 2004**, the European Union expanded its membership to include ten new nations including: *Cypres, Malta, Czech Republik, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, and Slovenia.*

Adapted from
http://www.imf.org/external/np/sec/decdo/ec.htm