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LEGAL MIND TRANSFORMATION ON A VIEW ON REGIONAL ECONOMIC INTEGRATION (EU BACKGROUND)

This article is devoted to the analysis of the role of the legal element in the evolution of the essence of integration processes on European territories. Currently, the world faces such phenomena as globalization and international integration that lead to the introduction of the full-scale system for legal regulation of integrations and requires a deep analysis of the role and contribution of regional economic integrations to the development of international legal system. The actuality can be underlined with a view to the fact of the existence of lots of regional integrations of different levels around the world. The price for regional economic integration and the role of the legal instrument in all this process should be clarified.

Keywords: integration, regional economic integration, process of formation of regional economic integration, EU.

Setting objectives. The purpose of the article is to highlight the integration process that took place in European territories during the twentieth century and continues in the XXI century, the preconditions for the emergence of the idea of an economic integration and the process of its formation. We should clearly understand what is the basis for the process of legal integration in the framework of the EU and what steps have been taken by those states that have become the driving force to the EU integration, which powers should be delegated to supranational bodies of the EU by the states desiring to participate in integration and the reason for the need for such delegation of authority.

Introduction. Process of economic integration shall provide to state new economic possibilities and facilitate its access to the new markets. But on the other hand, such kind of cooperation in the framework of regional economic integrations is based on the institutional and legal mechanisms to ensure the effective operation of the system. Regional economic integration is one of the most important trends in the world economy today, which includes many aspects of international cooperation in the field of transnationalization of the production process and exchange of capital and resource base. The key feature of such cooperation is that it requires supranational regulation and closer legal cooperation. In the area of modern Europe, the process of integration, which resulted in the creation of the European Union (EU), took place during the last 100 years. Even nowadays there are still plenty on states on Balkan region and East Europe desire to become members of the European Union. For example, under the East Partnership Ukraine undertook obligations to implement European legislation embodied in the provisions of the Ukraine–European Union Association Agreement and its desire for rapprochement with the EU with the goal of full integration and EU membership was recently enshrined in the preamble of the Constitution of Ukraine as a strategic course of the country. The same situation appears to happen in different regions all over the world. Accordingly, it remains important to analyze the integration process in European territories, the emergence of the idea of economic integration as an effective mechanism for international cooperation, and the experience of the EU states that serves as an example for states of the other regions all over the world.

The modern world is developing quite intensively and generates new trends towards globalization and economic integration. Globalization is the driving force of changes in various aspects of the social life of mankind. The process of globalization that can be observed over the past decades, causes a lot of debate. Of particular interest are such manifestations of globalization as the security of the development of economic, social, political and legal systems, the problems of global transformations; most of the questions are still controversial and require some kind of complex solution. Prerequisites, or how they can be called the factors that determine economic integration, are not only political and legal factors, infrastructural, socio-cultural, but the most important are, above all, economic ones: long-term economic cooperation between countries, the degree of maturity of market relations, economic and geographical proximity, presence of common economic problems, resource and economic potential of a possible integration. It is these factors that are the determining rush force that motivates the countries to integrate, and this

determines the nature of the future of such an integration unit. Therefore, today there are mainly regional integration associations of an economic nature.

Europe was and remains an example for international trends, this is due to historical development, the development of legal thought and the progress of the idea of globalization. After the First World War on the territory of the European continent, the first attempts were made to create organizations that would solve world problems exclusively in a peaceful way¹. The League of Nations, based on the Paris Peace Conference, was established to promote cooperation, peace, security and prosperity of nations. During the existence of the League of Nations a large number of international forums were held that had an impact on the further development of international law in relation to aspects related to economic integration. One of the most significant forums was the International Economic Conference of 1927, held in Geneva. It can be considered as the first truly global forum, which was called to hold consultations on economic policy issues both from member countries and non-members of the League of Nations. The global character was highlighted by the presence of representatives from 50 countries and the participation of such countries as the United States and the USSR. The forum discussed a wide range of economic problems as international in nature, which was related to issues of international cooperation and domestic, which included the development of various industries. The League of Nations made a proposal to resort to a mutual reduction of countries obstacles to international trade, namely – trade barriers². At that time trade barriers were tariff restrictions, ie duty, and sometimes the export of goods itself. The resolution of the forum specifically noted that the issue of customs duties, although related to the issues of sovereign jurisdiction of the state, but affects not only national interests but also affects and international trade. Such a conclusion called into question "too much protectionism", which was used by most of the countries of that time, and gave impetus to the realization that it is possible to achieve a significant improvement in economic conditions by increasing the opportunities of international trade. A step-by-step plan for reaching the results of the forum was developed, which became crucial for future economic integration. In fact, it has become a prototype of the World Trade Organization (WTO) system. The distinguishing feature of the conference was that for the first time in history it stated the harm it suffered as a result of dumping, and recognized the right of countries to apply protective measures against such a phenomenon in order to protect the national industry, while drafting recommendations and criteria for the application of such measures.

The League of Nations was engaged not only in conferences related to economic integration, but also in the plans of the League of Nations to develop a model for the creation of this kind of integration – the European Federation Union. One of France's most prominent politicians of that time, Aristide Briane, initiated the plan for the integration of Europe. In 1927, Briand, as the honorary chair of the Paneuropean Union, spoke in support of the creation of the United States of Europe. He considered the integration more from a political point of view rather than an economic or legal one. And the political and social circles of the time in Europe responded with the greatest interest in the idea of Briana. The result of his appeal was the appeal of representatives of European countries to Brian to prepare a draft for federation integration³. The project was called the "Memorandum on the organization of the European Federation Union" and was presented by the Government of France on May 17, 1930. Comparing the concept of the European Federation Union and the modern European Union, one can observe a certain similarity, especially in the way that economic model is similar; the concept of a pan-European market was the basis of the European internal market of the EU. But if you take the political concept of the European Federation Union with the modern European Union, it has little in common. The concept of integration at that time did not involve supranationalism. In the 1920-1930s, it was difficult to imagine a situation in which France or any other European country was ready to delegate a part of national sovereignty authority and agree to create supranational structures. Therefore, this concept cannot be called too mature, as the further history shows, regional economic integration is impossible without a clear supranational legal control, and it is for this reason that the economic crisis of the 30s of the XX century and the inconsistency of the parties to create effective legal control will further lead to a new large the war in Europe and will slow down the process

¹ Wikipedia, the free encyclopedia (2019). *European integration*. <https://en.wikipedia.org/wiki/European_integration> [in English]. (2019, March, 27).

² Clavin P. (2013). *Securing the world economy. The reinvention of the League of Nations 1920–1946*. Oxford: Oxford University Press, the United Kingdom of Great Britain and Northern Ireland.

³ EU Funded Pro EU Troll (2014). *EU Federalization: The Briand Plan*. <<https://eufundedproeutroll.wordpress.com/2014/06/07/eu-federalization-the-briand-plan/>>. (2019, March, 01).

of regional economic integration. Most of the integration projects within the League of Nations have been defeated due to the fact that they are far ahead of their time.

Although most of the integration projects have not been put into practice, they have become the basis for further integration movements that swept Europe and other regions of the world after the Second World War. They became the basis for the formation of modern integration law and laid the foundation for the definition and features of economic integration. It is European integration that has become a unique phenomenon for the world order. It was intended to prevent any future wars on the European continent and to ensure the replenishment of the national economies of the small states through the integration into the common global market through the internationalization of these economies. References to this process were the affirmation in Europe of political democracy, civil society, social responsibility, the rule of law and the law, human rights and the establishment of the principle of private property. If at this stage, integration ideas developed only at the level of certain politicians and governments, then in the postwar period, the ideas of integration have already developed in parallel at the governmental level and at the level of society.

In 1946, in his speech at the University of Zurich, Winston Churchill outlined the ideas of pan-European reconciliation and cooperation for peace, laying the foundations for the integration process¹. At the same time, social movements that advocated the integration and unification of Europe in political terms, the creation of a federal European constitution, emerged. One such movement was created in 1946 in Paris by the European Union of Federalists, which in short terms created its cells in many Western European countries. The federalist desire was to create a European federation that was offered to delegate certain sovereign authority necessary to protect the common interests of European citizens, which included issues of the international circulation of monetary units, foreign policy and defense. In May 1948, the congress of the European Congress in The Hague hosted 700 delegates representing the unification of Western Europe. The result of the congress was the preparation of projects for economic and political integration². Later, in January 1948 the creation of a customs union Benelux happened. This was the first step towards an all-embracing economic, political, social and cultural integration within the European continent. And on May 5, 1949, a meeting was held in London between the leading European countries that had established the Council of Europe. The Council of Europe pursued the objective of protecting the principles of freedom and the rule of law, within the framework of which the 1950 Convention for the Protection of Human Rights and Fundamental Freedoms was prepared.

The further evolution of economic integration on the European continent has developed quite rapidly. In 1950, French Foreign Minister Robert Schumann announced the idea of reconciling France and Germany through economic integration. This process was later called "Schuman Plan" and became the first step towards the creation of the European Federation³. The key points of the plan were that it foresaw the creation of a peaceful united Europe, but instead of starting the construction of the political component, it was surprisingly decided that political integration should be preceded by economic and legal integration. This was the decisive moment for further successful integration, which until now could not be achieved by the method of political decisions. It was precisely at that time that the concept of integration had undergone certain changes in the definition and contributed to the consolidation of the idea that integration begins with an economic component and, further, through the creation of a legal mechanism, is fixed at the political level.

The key point in the integration process was the signing in 1951 of the Treaty establishing the European Coal and Steel Community, which served to create a common market for coal and steel, envisaged rapid modernization and increase of the efficiency of the coal and steel industry, improvement of efficiency and working conditions. In fact, the subordination of these two sectors to the supranational body has made it possible to improve the overall state of the economy of the member states and exclude the possibility of preparing for war by any of the member states. It is important to note that within

¹ *Speech to the Academic Youth in Zurich* (2014). <https://h2o.law.harvard.edu/text_blocks/7599>. (2019, March, 02).

² *The Congress of Europe in The Hague (7 to 10 May 1948)*. <<https://www.cvce.eu/en/education/unit-content/-/unit/7b137b71-6010-4621-83b4-b0ca06a6b2cb/4b311dc0-cbe6-421d-9f9a-3bc8b1b155f6>>. (2019, March, 04).

³ *The Schuman Plan and Franco-British relations*. <<https://www.cvce.eu/en/unit-content/-/unit/5cc6b004-33b7-4e44-b6db-f5f9e6c01023/9f64d11c-0f79-4eeb-983d-b2700fc62cfd>>. (2019, March, 04).

⁴ European Commission. *Robert Schuman: the architect of the European integration project*. <https://europa.eu/european-union/sites/europaeu/files/robert_schuman_en.pdf>. (2019, March, 21).

the framework of the ECSC, several institutions were created, including the Court, a supranational body with the right to make decisions and recommendations¹. On March 27, 1957, the ECSC member states met in Rome to sign two important integration agreements establishing the European Economic Community (EEC) and the European Atomic Energy Community (Euratom)². The Treaty establishing the European Economic Community became the document that launched the second stage of economic integration, namely the customs union. Having analyzed the ECSC in detail, we can conclude that this was the first stage since the establishment of a free trade zone, and it was the EEC that arose as a result of the evolutionary development of integration into the level of the customs union. EEC aimed at a gradual transition to a common market through the gradual reduction and elimination of customs tariffs in trade between the participating countries and the establishment of a common customs tariff for goods for trade with other countries. But the ultimate goal of the EEC was to develop the principle of free circulation of goods, services, capital and individuals. All existing integrations at that time received a new common name – the European Community.

The gradual reduction and elimination of internal customs tariffs were completed by 1968, the Common Foreign Customs Tariff was put into effect, and in the 1970s, the trade policy passed from the competence of national authorities to the competence of the EEC. But trade policy was not the only priority for the EEC, much effort was also being made on other spheres of economic activity of the participating countries, for example, in 1958 the mechanism for the implementation of the common agricultural policy was approved. It was suggested that the funds received from the external tariffs should be directed towards the financing of a common agricultural policy, but the European Community was not prepared for such radical steps. Also, the EEC decided not to create a free trade area between all European countries within the framework of one integration, it was necessary to create a somewhat new level of integration. The decision was to create the European Free Trade Association (EFTA) on January 4, 1960, in Stockholm.

The period of 1970-1980s became a period of testing for the stability of the integration process. The collapse of the Bretton Woods monetary system, based on the gold and currency standard, has become a shock to the economy all over the world. The exchange rate of the national currencies had to be determined according to market conditions. Member States of the EEC, having faced a difficult situation due to oil price problems, developed a plan to diversify production, which resulted in the transition from heavy industry to more technical and scientific fields of petrochemicals and electrical engineering. This allowed to restore the economic status of the participating countries and to develop a mechanism for overcoming such problems, although the integrity of integration was questioned as more and more participants resorted to the actual violation of the Rome treaties in the field of non-tariff barriers: subsidizing own production, creating protectionist restrictions through the introduction of standards, import licenses and other procedural issues. Although the EEC bodies condemned such practices, there was no direct intervention mechanism to prevent or resolve such violations by the participating countries. As a result, it became clear that it is necessary to change the system and move to the stage of formation of the economic and monetary union with the subsequent transformation into political integration.

Pierre Werner, Prime Minister of Luxembourg, made the plan, called the "Werner Plan", whose purpose was to create its own currency system, an alternative to the Bretton Woods. The plan envisaged joint coordination of the budget policy of the EEC, the limitation of the permissibility of the fluctuations of the currencies of the participating countries and the subsequent transition to a single currency. The Council of Europe, the newly created body at that time, began to establish the European Monetary System, which resulted in the adoption in 1978 of Copenhagen of a common basket currency unit ECU. ECU was used for international payments as a reserve currency, and it was used for budget maintenance and statistics of the EEC. At this stage, the completion of the formation of the Economic and Monetary Union was not completed and it continued until the establishment of the European Union and the introduction of a common currency – the euro.

The European integration movement has become so popular that other countries have joined it. Economic integration has become so successful that there has been a desire to return to the format of political integration, which contributed to the creation of European political cooperation in 1970,

¹ *History of European Integration*. <<http://europejskiportal.eu/history-of-european-integration/>>. (2019, March, 21).

² Michelle Cini and Nieves Pérez-Solórzano Borrágán (2017). *European Union Politics (5th edn)*. Oxford University Press, the United Kingdom of Great Britain and Northern Ireland, 2016. <<http://www.oxfordpoliticstrove.com/view/10.1093/hepl/9780198708933.001.0001/hepl-9780198708933-chapter-2>>. (2019, March, 05).

henceforth, the EEC became not only a local decision-making mechanism but also received international recognition; there was a legal recognition of the integration association at the world arena.

1986 became a landmark year for the EEC since the Single European Act (SEA) was signed, which proclaimed the idea of a single internal market for goods, services, capital and individuals until December 31, 1992. This document consolidated the legal status of European political cooperation, expanded the scope of cooperation in many areas, expanded the powers of the European Council, the European Parliament and the Court, and established the General Court. At the same time as creating a single market, it was decided in 1985 to create a Schengen zone aimed at simplifying the movement of persons, to erase the internal borders.

The previous steps made it possible in 1992 to sign the Treaty Establishing the European Union (Maastricht Treaty), which entered into force on 1 November 1993. Since then, the European Community has received a new name – the European Union, which operates under the Treaty Establishing the EU and the Treaty Establishing the EEC. The European Union had to absorb all of its previous integration benefits, including economic ones, where decisions had already been taken by supranational bodies and subject to the EU Court's control, and internal and external policies. The agreement also established the Economic and Monetary Union, including the mechanism for its work, the rules for the development and implementation of a common economic policy, the creation of the European Central Bank (ECB) and developed the criteria for joining the monetary union. The Amsterdam Treaty of 1997, which entered into force on May 1, 1999, somewhat supplemented the Maastricht Treaty in the area of cooperation in matters of justice and home affairs: external border protection, legal cooperation in civil and criminal cases, etc. Since January 1, 1999, the euro was introduced for non-cash payments, and since January 1, 2002, the euro was introduced into the cash circulation¹.

In view of the further enlargement of the European Union by the countries of Eastern Europe in 2000, another agreement was signed – Nice Treaty². It provided for the extension of the powers of the European Parliament, the introduction of quotas for the participation of the countries in the European Parliament and the Council of the EU through a dual majority mechanism (not only the number of countries that voted for a particular issue, but also the population of these countries). As a result of such amendments, agreement was reached on the further expansion of the European Union by the countries of Eastern Europe. The European Union has intensified its international activities and began to claim the role of the main subject of world politics. The European Union has continued to sign important international treaties with various countries and other integration organizations such as ASEAN and NAFTA. The completion of the European Union was the signing of the Lisbon Treaty of 2007, which came into force on December 1, 2009, which gave the European Union the status of a legal entity and granted international legal personality. The European Union obtained an exclusive competence to legislate.

The European Union can be called the most successful format of the integration association, since it has undergone all stages of formation and proved its effectiveness in solving both internal and external issues. Currently, other regional integration projects are only on the path to such an establishment, but the model of the European Union serves as a model for the construction of such integration associations around the world, and this makes it possible to significantly accelerate integration processes in other regions of the world. Therefore, it is not surprising that East European countries and Balkan countries see their future in participation in such a regional economic union as the EU. Its mechanism of legal regulation has undergone a long process of formation and development, which is why it reflects the main trends of the development of international law. It is the solid foundation of legal regulation, which includes effective legislation that has evolved over the past 80 years, the mechanism for clear control over the implementation of integration institutions and the possibility of a judicial appeal by individuals and legal entities in court, make the EU so attractive to the aspirations of others states to become EU members.

Conclusions. So, today it is possible to state the fact that the process of integration is rather long-term and complicated. But the most complicated in this process is transformation of the concept of regional

¹ European Parliament (2018). *The historical development of European integration*.

<[http://www.europarl.europa.eu/RegData/etudes/PERI/2018/618969/IPOL_PERI\(2018\)618969_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/PERI/2018/618969/IPOL_PERI(2018)618969_EN.pdf)>. (2019, March, 25).

² European Parliament (2018). *The historical development of European integration*.

<[http://www.europarl.europa.eu/RegData/etudes/PERI/2018/618969/IPOL_PERI\(2018\)618969_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/PERI/2018/618969/IPOL_PERI(2018)618969_EN.pdf)>. (2019, March, 25).

economic integration from political-economic oriented to legal based. It took about 80 years, but as experience can be applied by other regional integration with the goal of accelerating their integration processes, European countries have spent a lot of efforts on this, had to overcome a lot of difficulties to introduce the ideal mechanism for implementing decisions within the integration, and create effective legal regulation.

But the integration process will not stop at the stage of regional integration, and there are still plans for global integration. This is a somewhat new level and one must realize that politically the world is not ready yet. And as the practice of European integration of the 20-40s of the XX century shows, and global integration is currently at this stage, it will take much time for political thought to overcome barriers and once again, economics and law have come to the forefront in the process of forming global integration. That is why this research should give impetus to further researches in the field of the role of legal element in the integration process.

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