

The background of the slide is the European Union flag, featuring a blue field with twelve yellow five-pointed stars arranged in a circle. The flag is shown with a slight wave, giving it a three-dimensional appearance.

# THE EUROPEAN UNION

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*– history, institutions & current issues*



**28** Member States

Combined  
population of  
EU Member  
States

**500+**  
million

**8** Percent of world's  
population

Percent of  
global GDP

**23**

**50** Percent of combined  
worldwide Official  
Development Assistance &  
Social Spending in World

## What is the European Union?

- Shared values: liberty, democracy, respect for human rights and fundamental freedoms, and the rule of law (Nobel Peace Prize 2012)
- Largest economic body in the world.
- A unique institution – Member States voluntarily cede national sovereignty in many areas to carry out common policies and governance.
- Not a super-state to replace existing states, nor just an organization for international cooperation.
- World's largest & most open market for goods and commodities from developing countries.



## Regional Integration (Theory)

From **Free Trade Area**: the elimination of tariffs

- for goods and services within region
- (NAFTA)

Via **Customs Union**: an FTA with a common

- external tariff (EEC)

To **Single Market/Economic Union**:

- eliminating *all* tariff and non-tariff barriers
- Freedom of goods, services, labor and capital
- “Harmonization” of regulation
- May also have common currency (euro)

To **Political Union?**

- Common Political Institutions/Constitution

# The European Union



The EU is a unique, treaty-based institutional framework defining and managing economic and political cooperation among its 28/7 member states





*Jean Monnet and other leaders with the first "European" ingot of steel*

**1951:**

## European Coal and Steel Community

- After World War II, the aim was to secure peace among Europe's victorious and vanquished nations
- Based on a plan by French Foreign Minister Robert Schuman (to German Chancellor Adenauer)
- **Six founding countries** – Belgium, the Federal Republic of Germany, France, Italy, Luxembourg and the Netherlands – signed a treaty to run heavy industries (coal and steel) under common management *"to make war not only unthinkable but materially impossible"*





*Signing of the Treaty of Rome*

ToGEThe®

SINCE 1957

 European Union  
50th Anniversary

**1957:**

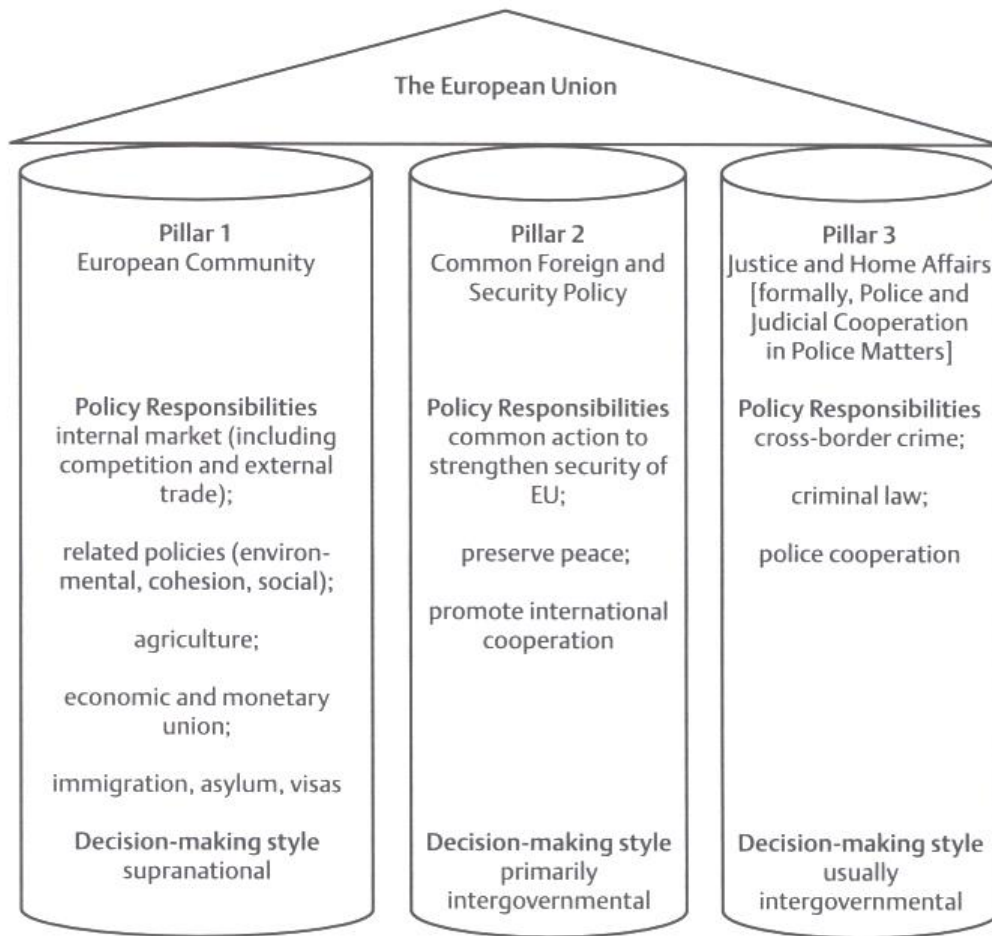
## Treaty of Rome

- The six founding countries expanded cooperation to other economic sectors, creating the European Economic Community (EEC) – or “common market.”
- As a result, **people, goods, services, and capital** today move freely across the Union.
- Britain left out, formed EFTA
- EURATOM: shared nuclear energy research
- 1960s: Common Agricultural Policy



## Box 1.2 The three pillars of the European Union

The activities of the EU are divided into three areas or 'pillars' created by the 1992 Maastricht Treaty.



## Single European Act & Maastricht Treaty

### Jacques Delors and the SEA (1986)

- Single Market by 1992
- Delors Report on EMU(nion)

### End of Cold War (1989-91) and Maastricht Treaty (1991/3)

- Three pillar structure (left): Euro & economic Policies, Foreign Policy and Justice & Home Affairs
- Addt'l: extension of Qualified Majority Voting, Eur citizenship



## Lisbon Treaty

- Reformulated version of the failed **European Constitutional Treaty of 2004**
- NOW: the **Reform/Lisbon Treaty**, finally ratified in 12/2009
- which takes in most aspects of the constitution (minus flag, anthem, constitution-wording, Minister) such as:
  - Semi-perm. Council President (Donald Tusk, pic)
  - **High Rep for Common Foreign Affairs & Security Policy** ('EU Foreign Minister' Federica Mogherini, pic)
  - + **External Action Service (EEAS) = diplomatic corps**
  - Binding Charter of Fundamental Rights
  - Qual. Majority Voting & Co-decision the rule
  - National Parliaments receive more time for review
  - 1 Million Citizen's Initiative





# Widening the Union – EU Enlargements



1973

 Denmark  
 Ireland  
 United Kingdom

1981

 Greece

1986

 Portugal  
 Spain

1995

 Austria  
 Finland  
 Sweden

2004

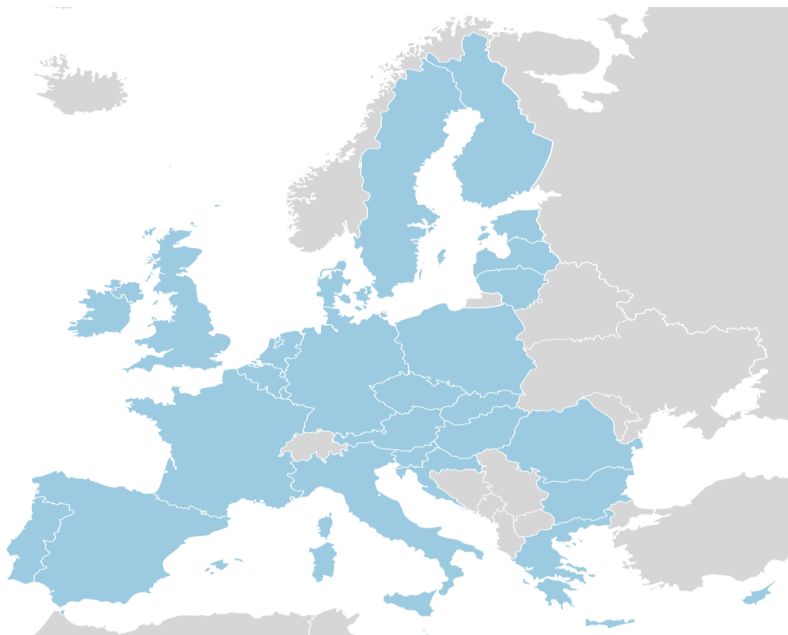
 Cyprus  
 Czech Republic  
 Estonia  
 Hungary  
 Latvia  
 Lithuania  
 Malta  
 Poland  
 Slovakia  
 Slovenia

2007

 Bulgaria  
 Romania

2013



 Croatia



## Candidate Countries:

 Albania  
 FYR Macedonia  
 Turkey  
 Serbia  
 Montenegro

## Potential Candidate Countries:

 Bosnia & Herzegovina  
 Kosovo\*



*European Commission President  
Jean-Claude Juncker (2014-19)*



## EU Institutions: Eur Commission

- 28 (College of) Commissioners, representing Europe, each responsible for a specific policy area.
- EU's executive branch proposes legislation, manages Union's day-to-day business and budget, and enforces rules.
- Negotiates trade agreements and manages Europe's multilateral development coop.
- Supported & represented by ~30,000 Eurocrats in Brussels & the world
- **Mediator, Conciliator, and 'Conscience of the Union**

# Who's who New European Commission



**Jean-Claude Juncker**  
President



**Frans Timmermans**  
Better Regulation,  
Inter-Institutional Relations,  
the Rule of Law and the Charter of  
Fundamental Rights -  
First Vice-President  
of the Commission



**Federica Mogherini**  
High Representative of the Union  
for Foreign Affairs  
and Security Policy -  
Vice-President  
of the Commission



**Andrus Ansip**  
Digital Single Market -  
Vice-President



**Valdis Dombrovskis**  
Euro and Social Dialogue -  
Vice-President



**Kristalina Georgieva**  
Budget and Human Resources -  
Vice-President



**Jyrki Katainen**  
Jobs, Growth, Investment and  
Competitiveness -  
Vice-President



**Maroš Šefčovič**  
Energy Union - Vice-President



**Vytenis Andriukaitis**  
Health and Food Safety



**Miguel Arias Cañete**  
Climate Action and Energy



**Dimitris Avramopoulos**  
Migration, Home Affairs  
and Citizenship



**Elżbieta Bieńkowska**  
Internal Market, Industry,  
Entrepreneurship and SMEs



**Violeta Bulc**  
Transport



**Corina Crețu**  
Regional Policy



**Johannes Hahn**  
European Neighbourhood Policy  
and Enlargement Negotiations



**Jonathan Hill**  
Financial Stability, Financial  
Services and Capital Markets  
Union



**Phil Hogan**  
Agriculture and  
Rural Development



**Věra Jourová**  
Justice, Consumers  
and Gender Equality



**Cecilia Malmström**  
Trade



**Neven Mimica**  
International Cooperation  
and Development



**Carlos Moedas**  
Research, Science and Innovation



**Pierre Moscovici**  
Economic and Financial Affairs,  
Taxation and Customs



**Tibor Navracsics**  
Education, Culture,  
Youth and Sport



**Günther Dettinger**  
Digital Economy  
and Society



**Christos Stylianides**  
Humanitarian Aid and Crisis  
Management



**Marianne Thyssen**  
Employment, Social Affairs,  
Skills and Labour Mobility



**Karmenu Vella**  
Environment, Maritime  
Affairs and Fisheries



**Margrethe Vestager**  
Competition



Sources European Parliament and European Commission





## Council of Ministers (+ EU Council)

### The Council of the European Union



Qualified majority = A minimum of 255 of 345 votes and the majority of Member States

\*Voting strength of a state

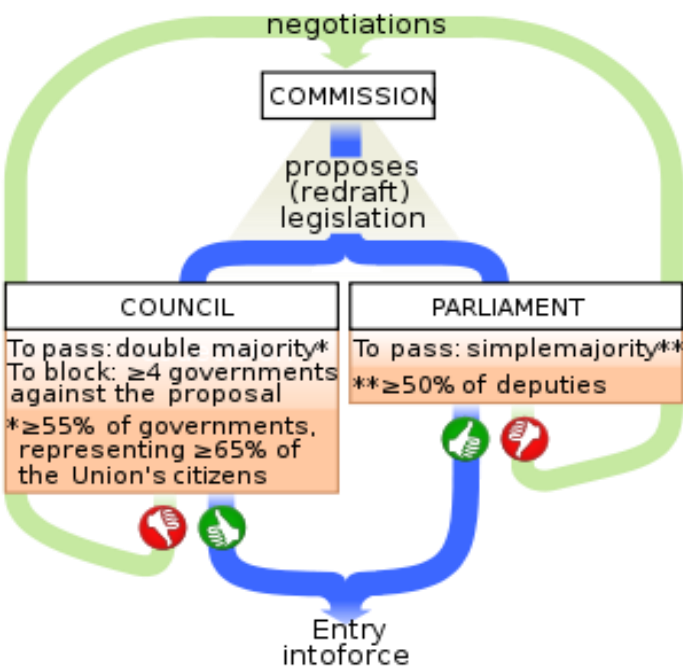
- EU's state-led decision-making body comprised of (10 configurations of) ministers of 28 MS representing their viewpoints (Ecofin, General, Foreign Affairs..)
- After obtaining the draft law from the EC & input from EP, Council votes
- Decides on foreign policy
- Council presidency rotates among MS every six months (now: Bulgaria)
- **EU Council**: 4-6x/yr meeting of Merkel, Macron etc. in Brussels to decide on long-term plans/vision



# The European Union



European Parliament in session



## European Parliament

- 'Voice of Europeans' – 751 members elected for 5-year (depending on size of pop)
- With Council, passes EU laws & adopts budget ('co-decision' rights)
- Approves/Supervises EU Commissioners
- Since 1979 pop elected; low turnout: 40%

### The new European Parliament

MEPs\* by political affiliation before and after the May 2014 elections

Estimate at 0900 GMT



Far left and greens  
 Socialists, social democrats  
 Greens and regional parties  
 Liberal democrats, centrists  
 Christian democrats, conservatives

Conservative anti-federalists  
 Right-wing eurosceptics  
 Non-aligned, including far right  
 Others

Source: europa.eu

\* Members of the European Parliament

AFP




- **Highest EU judicial authority** – **European Court of Justice**  
28 judges (6yr terms) + Advocates General/Ct of First Instance
- Ensures all EU laws are interpreted and applied correctly and uniformly (Preliminary rulings, direct actions against MS, EC)
- Can act as an independent policy maker/over-rules national law, only in (econ, agricultural) matters covered by the Treaties.
- **Primary Law:**
- Treaties: Treaties & Constitutional Boundaries of MS
- **Secondary Law:** Rules & Regulations, Directives



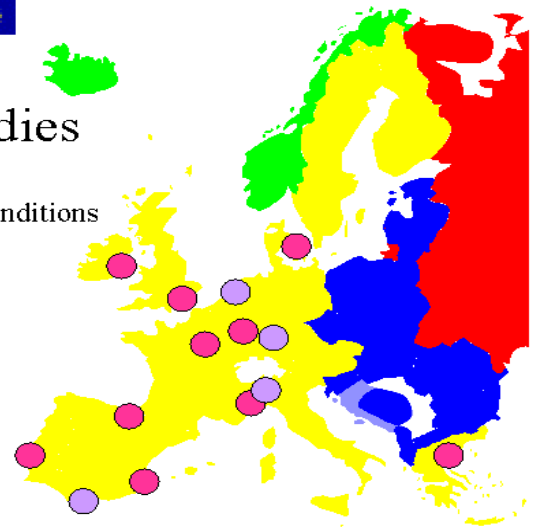


## Other important EU bodies

- The **Economic and Social Committee (ESC)**: advisory group on social/econ. issues
- The **Committee of the Regions**: advisory opinion on regional issues
- The **Court of Auditors** monitors the EU budget
- The **Eur Ombudsman** receives & investigates complaints by citizens
- The **European Central Bank (ECB)** formulates the EU's monetary policy
- **European Investment Bank (EIB)** supplies loans for 'European' projects
- **Specialized Agencies (across EU)**

European   
Agencies  
and other bodies

- Environment
- Living and working conditions
- Medicinal products
- Translation Centre
- Plant varieties
- Occupational health
- Market harmonisation
- Drugs
- Training foundation
- Vocational training
- JRC





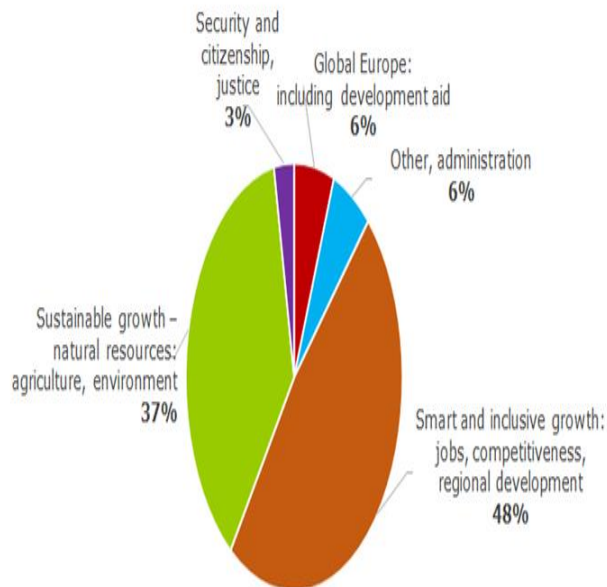
# The European Union



How does the EU spend its money?



2017 EU budget: € 157.9 billion  
= 1.05 % of gross national income



- **Euro & Monetary Union**: Euro removes transaction costs & is world reserve currency
- **Common Foreign & Security Policy** : Rapid Reaction Force (RRF); 'Foreign Minister', External Action Service; budget: from €170 mil ('07) to 8 Billion (2015)
- **Common Agricultural Policy** (CAP): farm subsidies, accounts for ~ 40% of EU budget
- **Regional Policy**: Structural & Social Funds
- **JHA**: Europol & -just; Counterterrorism & Internal Security; Asylum & Immigration laws, borderless Schengen agreement
- **Trade, Transport & Competition**: Single Market rules (4 freedoms of movement), subsidy control & mergers; External Trade
- **Culture/Edu**: Exchange, sister cities
- **Environmental Policy**: 2020 goals
- **Foreign Aid**: Cotonou Convention (77 countries)





## What Are the *Additional* Benefits and "Costs" of Adopting the Euro?

**Price stability and security of purchasing power**

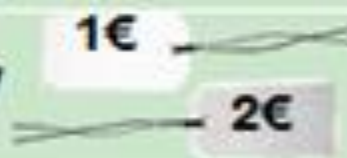


More opportunities to live, work and study in other EU countries

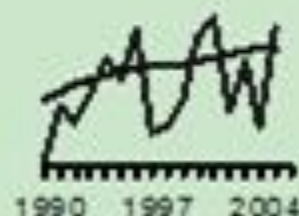
**Elimination of transaction costs**



**Price transparency across countries**



**Elimination of exchange rate risks**



Countries can no longer change their **interest rate** or their **exchange rate**.



Countries **cannot have an independent monetary policy!**  
**Problem: Eurozone has common monetary, but different fiscal policy!**



## The €uro



€ With German reunification 1990, EMU presents opportunity to tie a unified Germany to the EU/EC by creating common 'bandwidth' of currency fluctuations & deciding which countries can take part (by 1998) (Stage 1) - single currency instead of common currency!

€ Jan 1, 1999 = launch of currency at \$ 1.18 and ECB creation (Stage 2)

Final money intro/circulation Jan 1, 2002 (Stage 3)

€ Results: Reduces cost of business/transaction costs, reduces exchange rate risks, **but also reduces national monetary flexibility! Plus, competitiveness-gaps, debt-enabling, etc.**

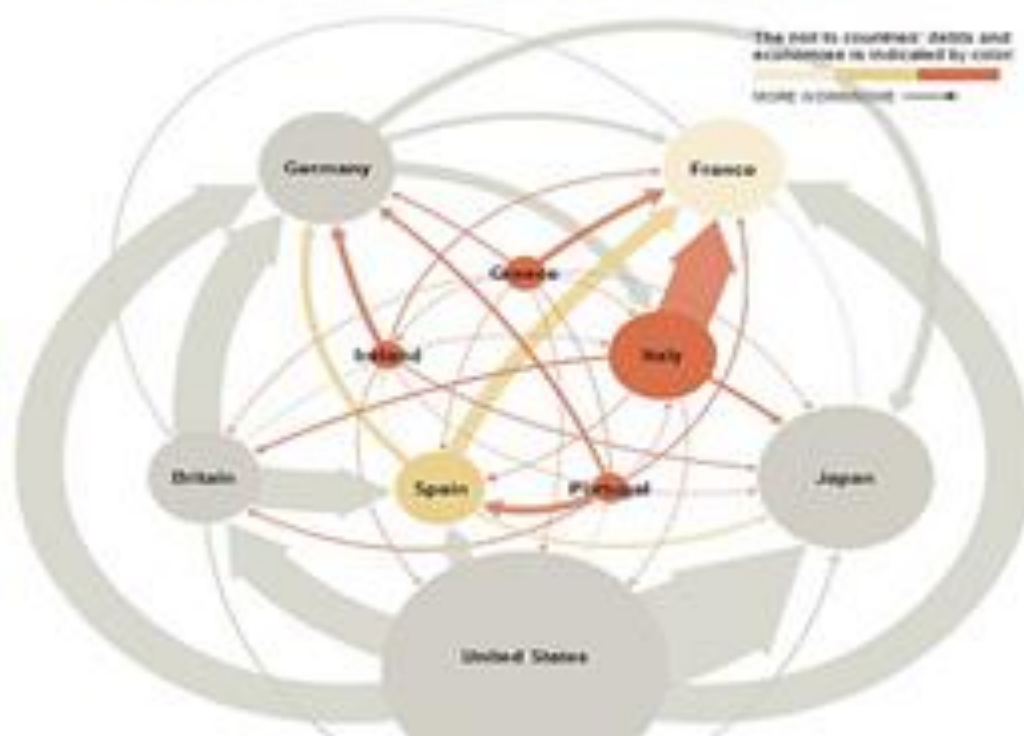
€ The euro is as stable as the best-performing currencies previously used, popularly accepted (60%) & world reserve currency





## Eurozone (sovereign debt) Crises: Multiple Causes

- Greece 2007: 'bond-bubble' bust & downgrade by rating agencies: requests EU bailout, then: Ireland, Spain, Portugal etc.
- **Issues:**
- **Competitiveness** (differences bw MS, bonds disparity: wage depression & restructuring of private sector needed),
- **Fiscal** (taxation & nat'l debts: write-offs & 'Bailout' Fund EFSF),
- **Banking** (dubious (home)loans: banking supervisor?)
- **Political** (how to move forward: more integration/budget-supervision by EU)
- Other solutions: training funds
- Currently, no exit from Eurozone
- Debate: EU Ratings agency? Role/Independence of Eur Central Bank ECB: Quantitative Easing?





## Current Issues: Brexit

### A Future Outside of the EU – Overview of some Options

	EEA (Norway)	EFTA (Switzerland)	Customs Union (Turkey)	World Trade Organisation Option
Migration controls	✗	?	✓	✓
EU budget contribution	✗	✗	✓	✓
Compliance with EU rules	✗	?	?	✓
Free to negotiate with third countries	✗	✓	✗	✓
Passporting rights	✓	✗	✗	✗
Direct access to Single Market	✓	✗	✗	✗
Import tariffs?	✓	✓	✓	✗

- Voted narrowly (51% to 48%) to leave 2016,
- By March 2019: negotiations slow, just finished 1<sup>st</sup> phase (agreement on EU citizen's rights, 'divorce bill')
- 2<sup>nd</sup> phase: future relations/market access
- Likely: transition period 2+ yrs
- Likely: negative impact on both, UK (economy, Scotland) & EU states (Ireland, Germany etc)
- Certain: EU budget hole: \$13B Euros
- Brexit impact on Caribbean: more uncertainty & possibly less \$





## Refugees in EU-facts

### Asylum decisions in the EU

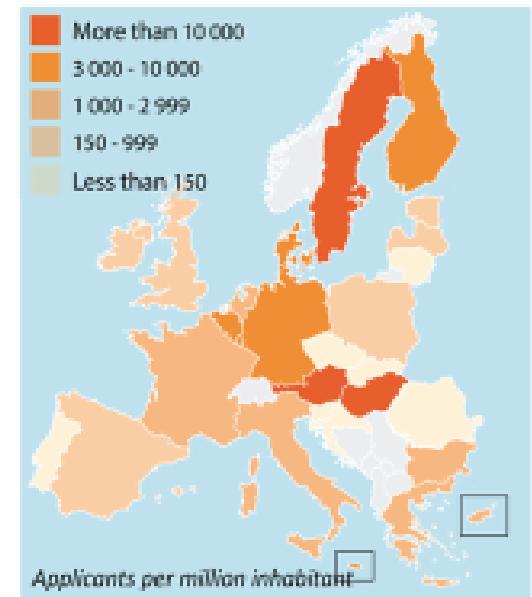
In [2015 and 2016](#) alone, more than 2.5 million people [applied for asylum in the EU](#). Authorities in states issued over half of them positive.

### Migrants illegally present in the EU

In 2015 [2.2 million people were found to be illegally present in the EU](#). In 2016, the number had [dropped to 984,000](#). A number of people are, however, expelled, from the EU (e.g. asylum claims were refused). [In 2016, half of the 494,000 ordered to do so, returned home.](#)

### What Europeans are thinking

According to the [2017 Eurobarometer poll](#), [73% of Europeans still want the EU to do more to manage the situation.](#)
























# The European Union



## What to expect

Asylum processes, selected countries, 2014

Country	Applications* Decisions made	Mainly from %	Accepted %	Minimum wait before permitted to work:	State benefits Single adult, per month
Germany	173,070  97,415	Syria 23 Serbia & Kosovo 14 Eritrea 8	42 	3 months 	€374 
Sweden	75,090  40,015	Syria 40 Stateless 10 Eritrea 8	77 	Immediately Without restrictions	€226 
Hungary	41,370  5,445	Serbia & Kosovo 51 Afghanistan 21 Syria 16	9 	9 months  Working only in a reception centre	€86  Maximum
Britain	31,260  26,055	Eritrea 13 Pakistan 11 Syria 8	39 	12 months  Only jobs where gov't sees a shortage (medics, engineers, nurses)	€217 
United States	121,160  71,765†	Mexico 12 China 11 El Salvador 8	30† 	6 months  In practice, 92% of applicants wait longer for authorisation	Nil
Australia	8,960  13,198†	China 19† India 13† Pakistan 10†	19† 	Most applicants cannot work as they are in detention	€275 

Sources: UNHCR; government statistics; *The Economist*

\*From UNHCR 2014 report

†From UNHCR Statistical Database ‡2012-13 figures



## Current Issues: Security

- **Russia:** EU Sanctions (& EU dependence on Oil/Gas); increase of 'fake news' propaganda in election campaigns
- **Terrorism:** ISIS-inspired terror threat remains (difficult info-sharing among EU MS) & returning fighters
- **NATO:** somewhat increased cooperation and funding (2%)
- But: Possible delinking from US b/c of US Foreign Policy

