

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

– history, institutions & current issues



HISTORY



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.

28/7 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



Regional Integration (Theory)

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

- for goods and services within region (e.g., NAFTA)

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

- external tariff (EEC)

To **Single/ Common Market**:

- eliminating *all* tariff and non-tariff barriers
- freedom of goods, services, labor and capital (induces similar standards)

To **Economic Union**:

- “harmonization” of regulation, fiscal, transport, monetary, etc. policies
- a full economic union must also have common currency (euro)

To **Political Union**?

- Common Political Institutions/Constitution

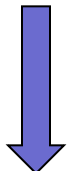
FTA



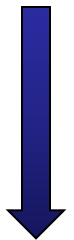
Customs U.



Common M.



Economic U.



Political U.

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

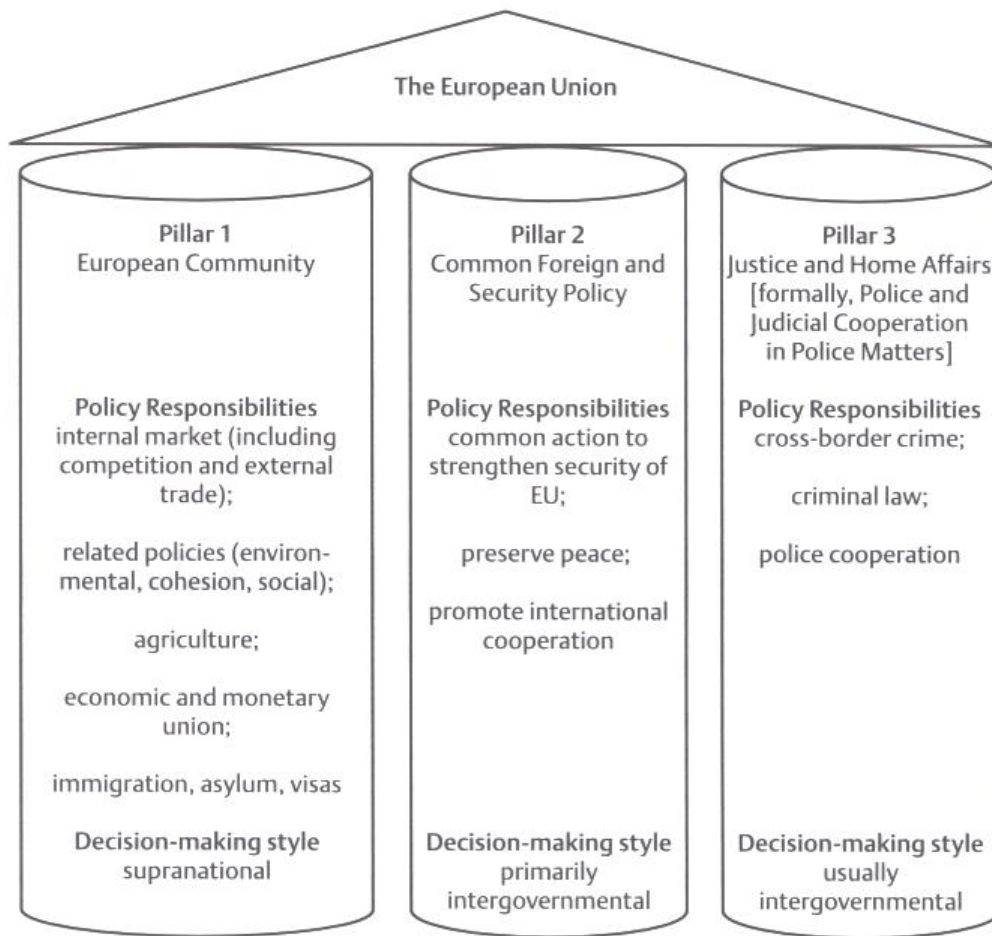
- The six founding countries expanded cooperation to other economic sectors, creating the European Economic Community (EEC) – or “common market.”
- As a result, **people, goods, services, and capital** today move freely across the Union.
- Britain left out, formed EFTA
- EURATOM: shared nuclear energy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

The European Union



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 **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 signatures: European Citizen's Initiative
 - Merger of 3 'Maastricht Pillars' to 2: Internal & External



Widening the Union – EU Enlargements



1973

 Denmark
 Ireland
 United Kingdom

1981

 Greece

1986

 Portugal
 Spain

1995

 Austria
 Finland
 Sweden

2004

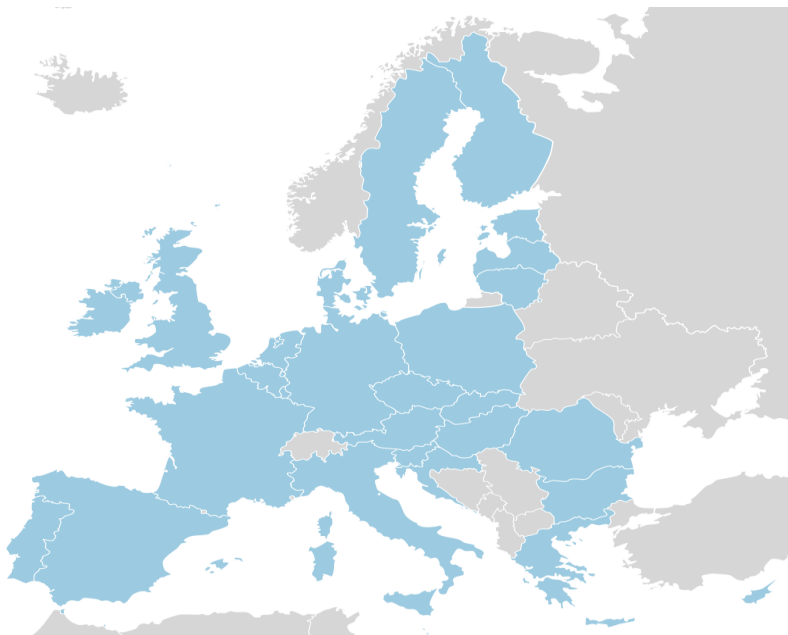
 Cyprus
 Czech Republic
 Estonia
 Hungary
 Latvia
 Lithuania
 Malta
 Poland
 Slovakia
 Slovenia

2007

 Bulgaria
 Romania

2013



 Croatia



Candidate Countries:

 Albania
 FYR Macedonia
 Turkey
 Serbia
 Montenegro

Potential Candidate Countries:

 Bosnia & Herzegovina
 Kosovo*

Council of Europe

Schengen Area



EFTA



Nordic Council



Visegrád Group

BSEC



GUAM



CEFTA

Union State



EEA

Eurozone



Common Travel Area



European Union



EU Customs Union



Monetary agreement with the EU





INSTITUTIONS



*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'**

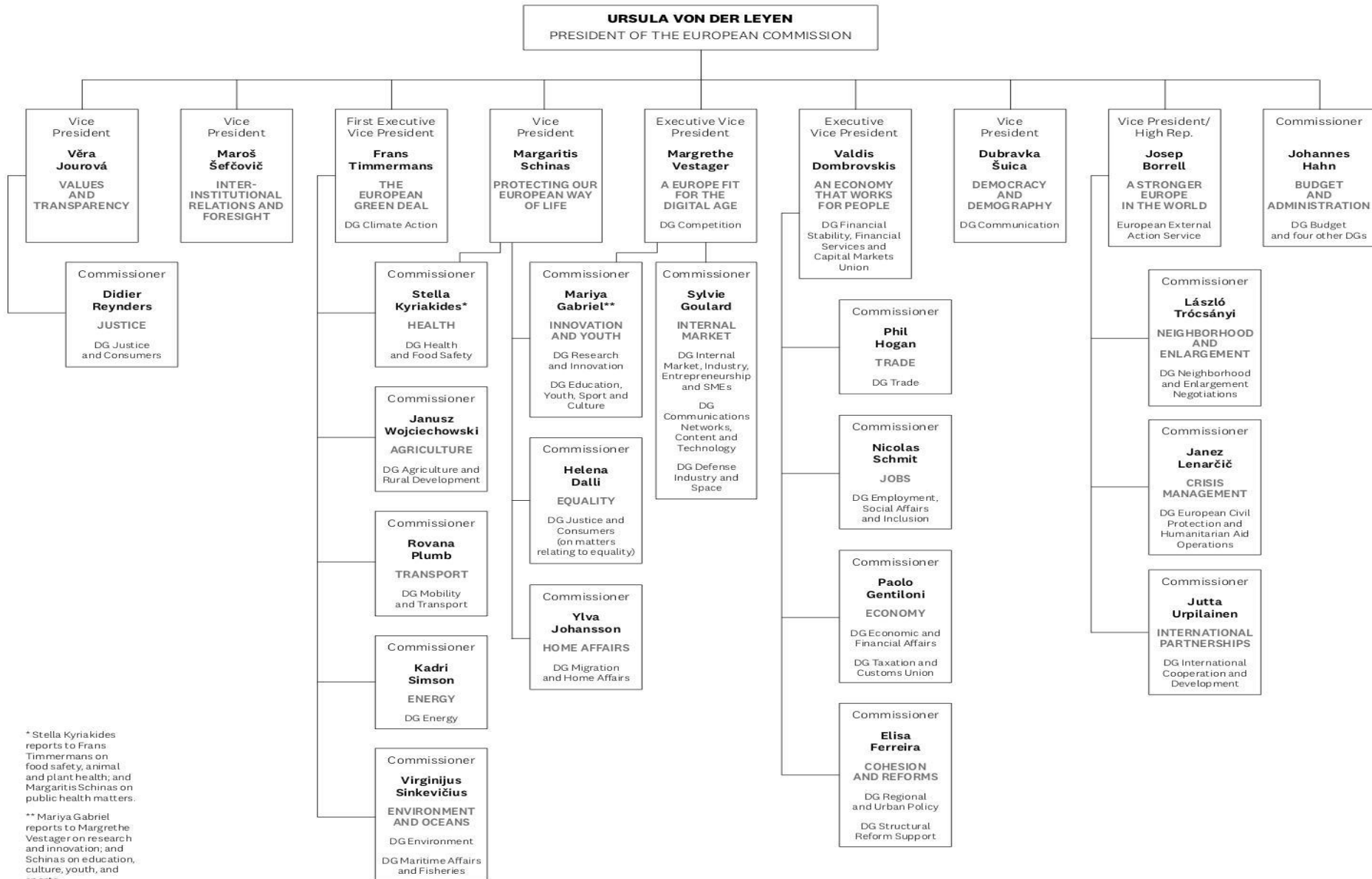
European Commission Candidates 2019-2024



** The European People's Party (EPP) membership of Hungarian party Fidesz was suspended on March 2019.

POLITICO

COMMISSION POWER STRUCTURE



* Stella Kyriakides reports to Frans Timmermans on food safety, animal and plant health; and Margaritis Schinas on public health matters.

** Mariya Gabriel reports to Margrethe Vestager on research and innovation; and Schinas on education, culture, youth, and sports.



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

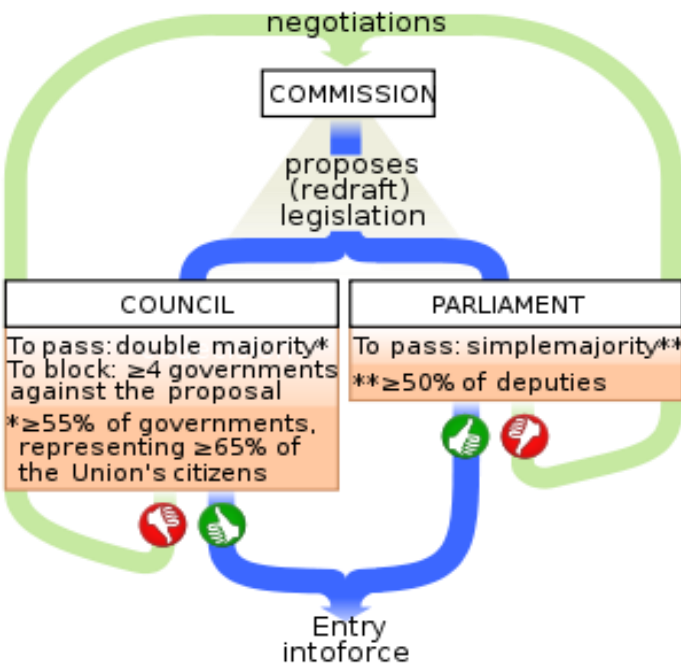
*Voting strength of a state

- 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 draft law from the COM & input from Parliament, it votes
- Decides on foreign policy
- Council presidency rotates among MS every 6 months (now: Finland, Jan 1: Croatia)
- https://europa.eu/european-union/about-eu/institutions-bodies/council-eu_en
- **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



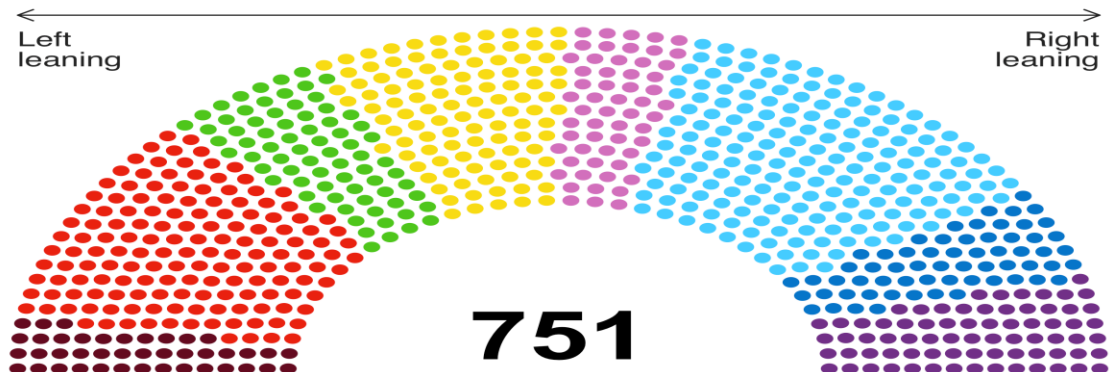
European Parliament

- 'Voice of Europeans' – 751 members elected for 5-year (depending on pop.size): 2019!
- With Council, passes EU laws & adopts budget ('co-decision' rights)
- Approves/Supervises EU Commissioners
- Since 1979 elected; low turnout: 40%

EU elections

Seats by party group

| | |
|---------------------------------------|------------------------------------|
| ● Left (GUE/NGL): 41 | ● MEPs not in a group: 57 |
| ● Socialists and Democrats (S&D): 154 | ● Centre-right (EPP): 182 |
| ● Greens (G/EFA): 74 | ● Conservatives (ECR): 62 |
| ● Renew Europe (Liberals): 108 | ● Right-wing nationalists (ID): 73 |

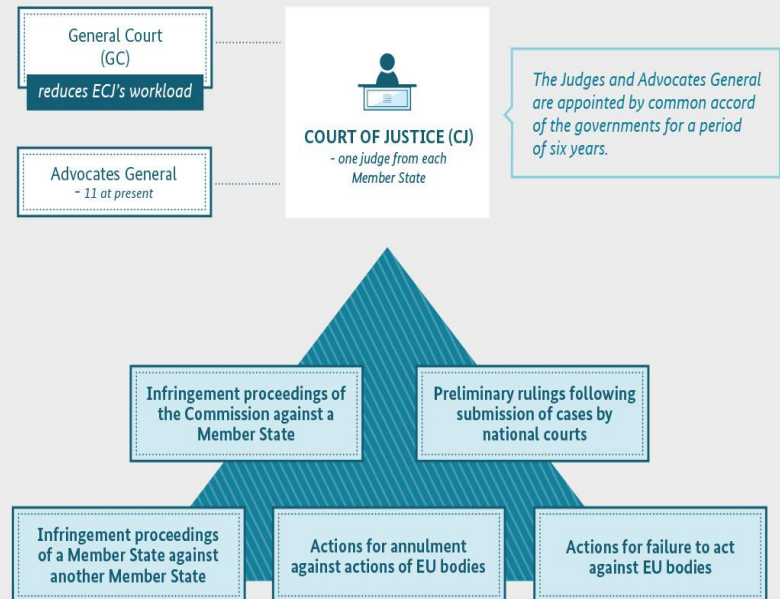




Court of Justice



Court of Justice of the European Union (CJEU)




- **Highest EU judicial authority** – 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

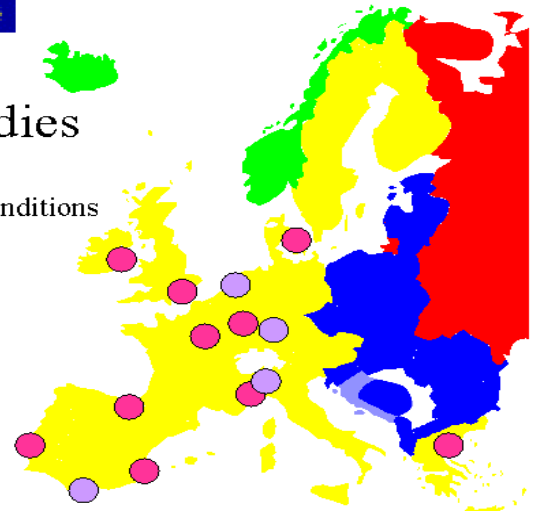


Other important EU bodies

- 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

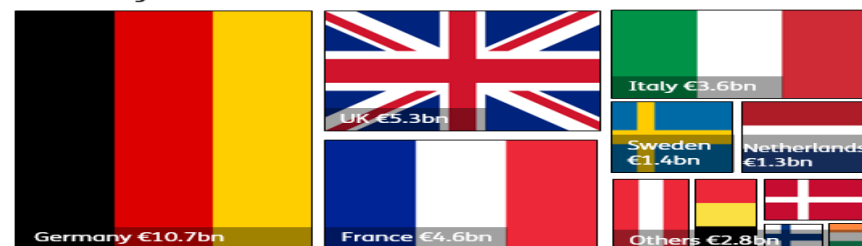
- Environment
- Living and working conditions
- Medicinal products
- Translation Centre
- Plant varieties
- Occupational health
- Market harmonisation
- Drugs
- Training foundation
- Vocational training
- JRC



Net beneficiaries and contributors

Net EU budget contributors and beneficiaries in 2017

In 2017 these countries put €30bn more into the EU budget than they received back...



...and these countries received €30bn more than they put in.



* Net figures factor in money going from EU back to governments and private organisations

Source: EU expenditure and revenue

EU budget 2019: planned spending of €148bn

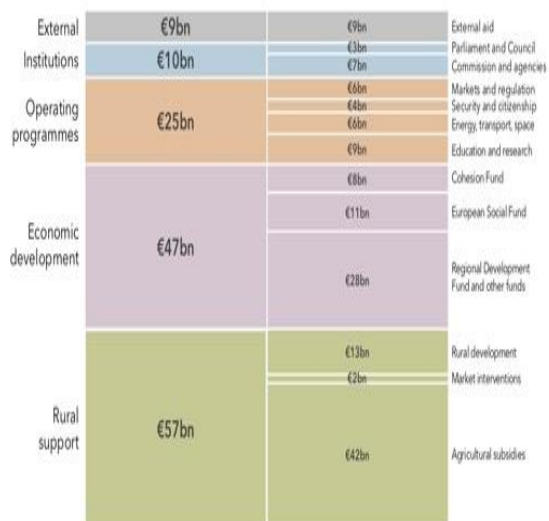


Chart by Martin Wheatcroft PCA. Source: European Commission, Budget 2019, 12 December 2018. Excludes an increase of €18bn in future commitments.

© ICAEW 2018

The European Union



- **Euro & Monetary Union**: Euro removes transaction costs & is world reserve currency
- **Common Foreign & Security Policy**: 16 civilian/military missions; 'Foreign Minister'/HR + External Action Service;
- **Common Agricultural Policy** (CAP): farm subsidies, accounts for ~ 40% of EU budget
- **Regional Policy**: Structural & Social Funds
- **Justice & Home Affairs**: 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**: Erasmus, 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

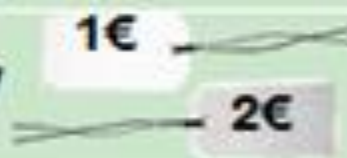


More opportunities to live, work and study in other EU countries

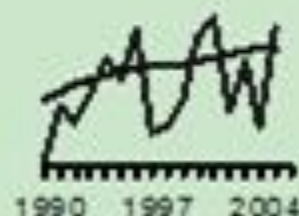
Elimination of transaction costs



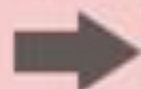
Price transparency across countries



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)

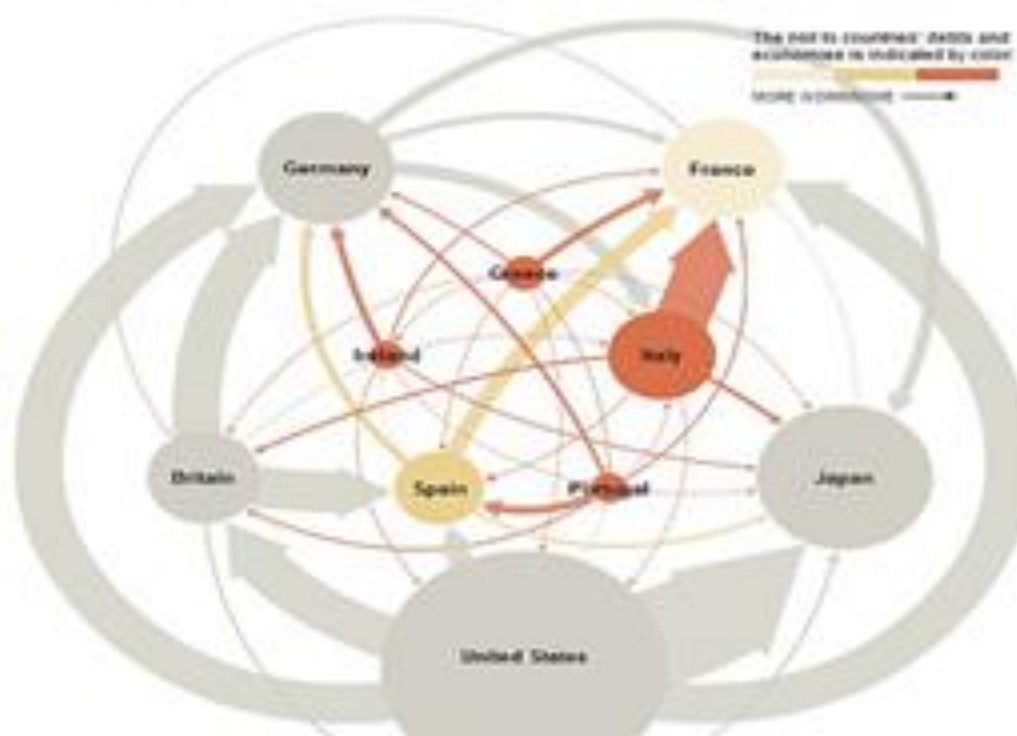
€ Results: Reduces cost of business/transaction costs, reduces exchange rate risks, **but also reduces national monetary flexibility! Plus, competitiveness-gaps, debt-enabling, etc.**

€ 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



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? | ✓ | ✓ | ✓ | ✗ |

- UK voted in 2016 narrowly (51% to 48%) to leave,
- Initially: negotiations slow, just finished 1st phase (agreement on EU citizen's rights, 'divorce bill'), 2nd phase: future relations/market access (unfin)
- 2+ yrs transition period
- Likely: negative impact on both, UK (economy, Scotland) & EU states (Ireland, Germany etc)
- Certain: EU budget hole: \$13B Euros
- Brexit impact globally uncertain



Refugees in EU-facts

Asylum decisions in the EU

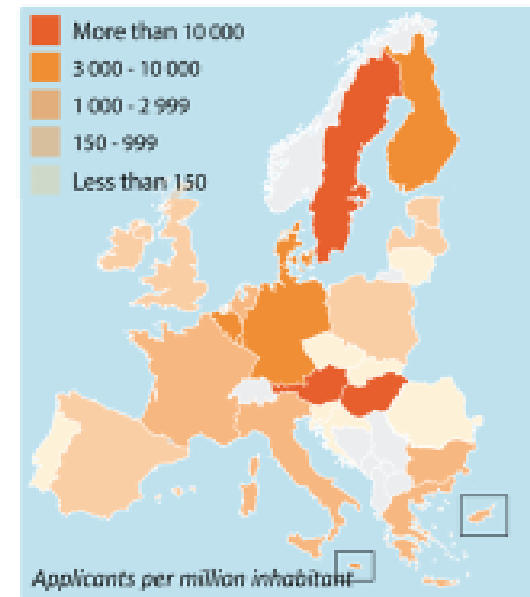
In [2015 and 2016](#) alone, more than 2.5 million people [applied for asylum in the EU](#). Authorities in states issued over half of them positive.

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*

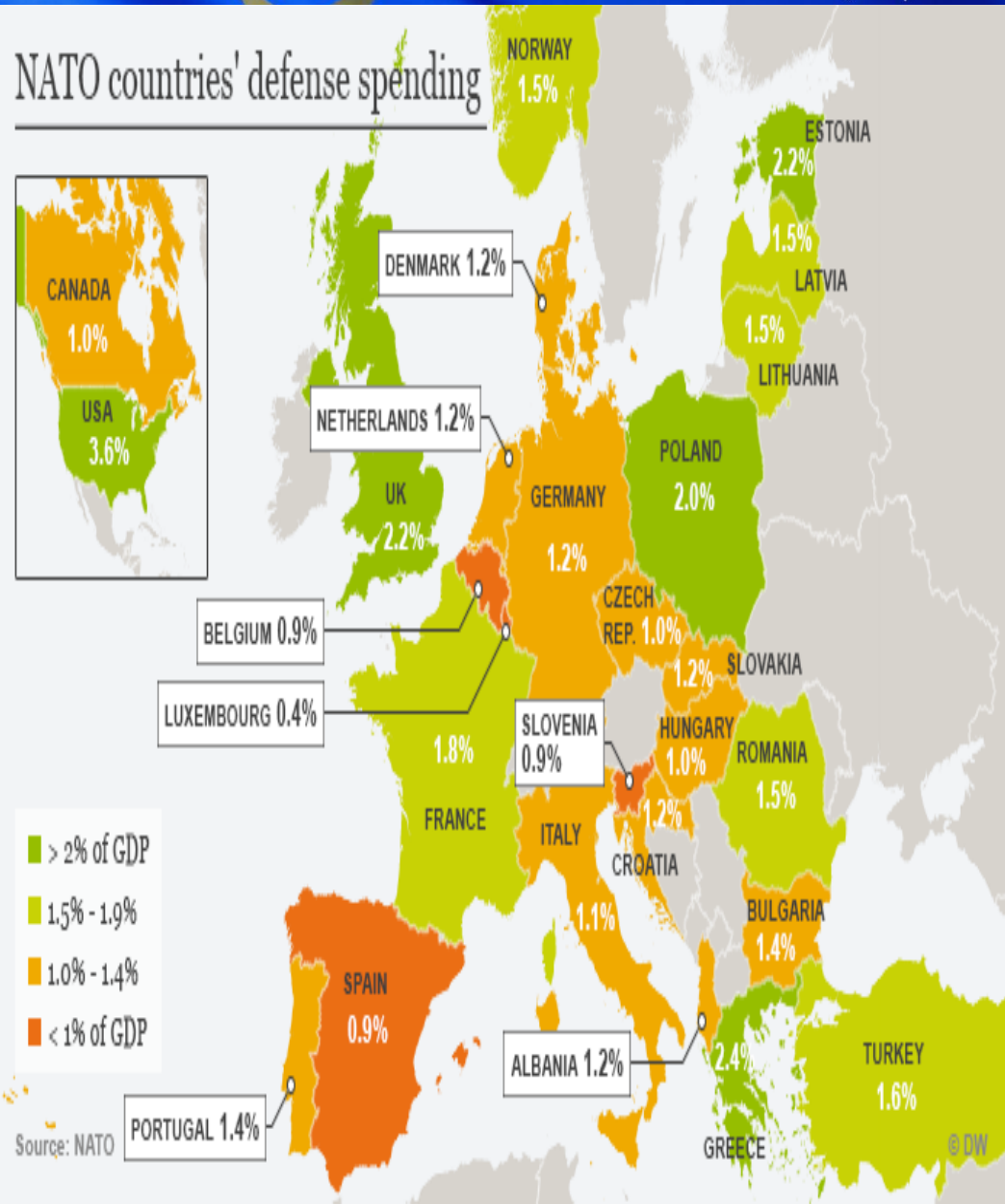
*From UNHCR 2014 report

†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: **delinking from US** b/c of US Foreign Policy: 1. Paris climate agreement, 2. Iran Deal, 3. Trade tariffs





THANK YOU!