



From Europe to the Euro

€URO CHALLENGE

Student Orientations
2022 Euro Challenge

Outline of the Presentation



History of the European Union
- Half a Century of Change and Progress



How does the European Union function?
- A Unique Institutional Structure



The Euro Currency and the Monetary Union
- United in Diversity



The European Union and the United States
- Partners in Global Leadership

What is the European Union?

A supranational governance: not a super-state to replace existing states, nor just an organization for international cooperation.

A unique institution – Member States voluntarily cede national sovereignty in many areas to carry out common policies and governance.

Shared values: liberty, democracy, respect for human rights and fundamental freedoms and the rule of law.

World's most successful model for advancing peace and democracy (2012 Nobel Peace Prize winner).

The EU and the US Compared



EU POPULATION



512,596,403

US POPULATION



326,766,748



GDP
\$18,8
TRILLION

GDP PER CAPITA
\$37,204,61

GDP PER CAPITA
\$54,225,45

GDP
\$20,5
TRILLION

SURFACE
1,728,099
SQ/MI

DENSITY
300 / SQ MI

DENSITY
90,6 / SQ MI

SURFACE
3,794,080
SQ / MI

24

**OFFICIAL
LANGUAGES**

**OFFICIAL
LANGUAGES**

1

The End of World War II

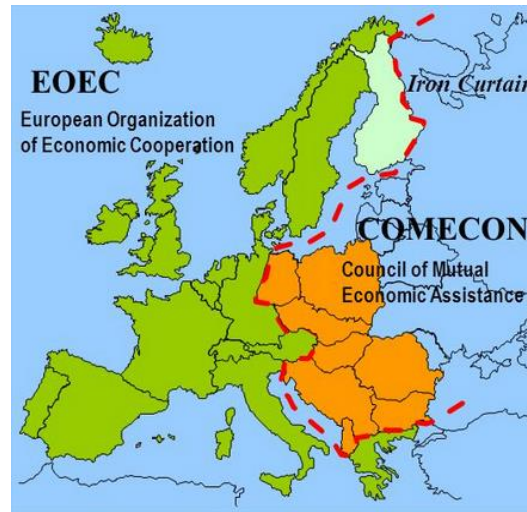
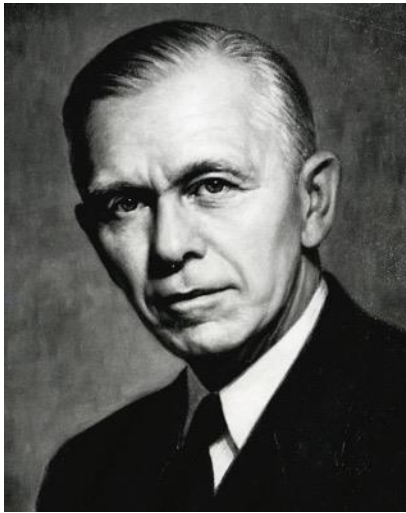
1945 – *Europe's Year Zero*



- Millions of people had lost their lives
- Large population movements across states
- Industry and infrastructure had been devastated
- Food shortages

The Iron Curtain Descends

1948 – 1949: A split continent



In 1948 the US launched the **Marshall Plan**, an initiative to aid post-World War II reconstruction in Europe. Benefiting Western European countries and the US, it set up the **European Organization for Economic Cooperation (EOEC)** to manage reconstruction aid.

In 1949 the USSR reacts by setting up the **Council for Mutual Economic Assistance (COMECON)**, an alternative economic organization aimed at enhancing economic cooperation amongst countries of the eastern block.

The Schuman Declaration

1951 – Six stars are born



Six founding countries ( Belgium,  Federal Republic of Germany,  France,  Italy,  Luxembourg,  the Netherlands) signed a treaty to completely open the market of coal and steel under a common high authority:

The **European Coal and Steel Community** was born, precursor of the EU.

The Rome Treaties Set the Stage for Further Widening and Deepening

1957 – The European Economic Community



[The signatories are] "determined to **lay the foundations of an ever closer union among the peoples of Europe**, resolved to ensure the economic and social progress of their countries by common action to **eliminate the barriers which divide Europe (...)**"

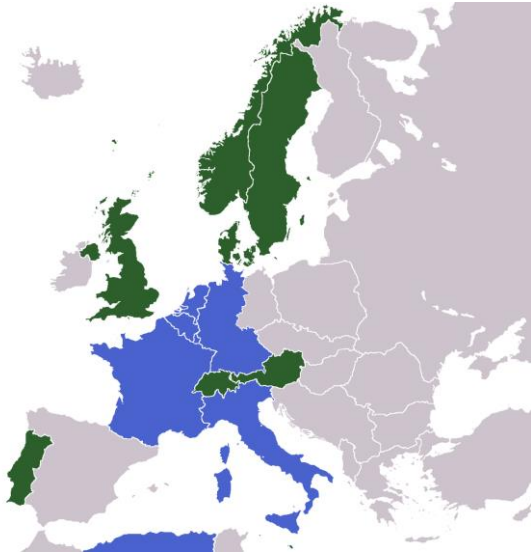
*Preamble of the Rome Treaty
establishing the European Economic Community*

The six founding countries **expanded cooperation to other economic sectors**, creating the **European Economic Community (EEC)** – or “common market”.

Based on the four freedoms: freedom of movement of people, goods, services and capital – as an instrument of achieving closer political union.

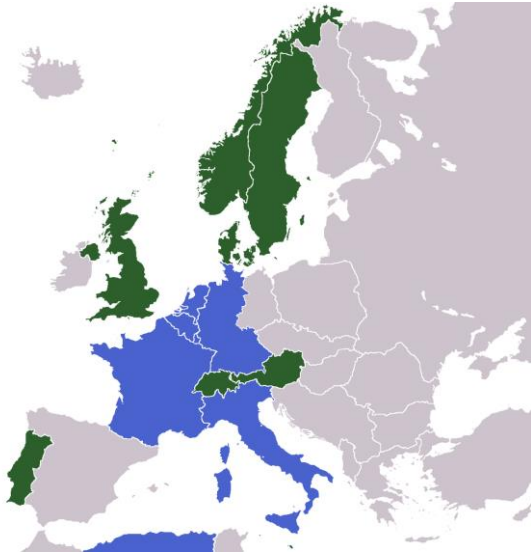
Also establishes a free trade area (no tariffs) and a custom union.

1961 – The "Outer Seven" vs the "Inner Six"





The "outer seven" ( Austria,  Denmark,  Norway,  Portugal,  Sweden,  the Swiss Confederation and  the United Kingdom of Great Britain and Northern Ireland) establish the European Free Trade Area (EFTA).

1961 – The "Outer Seven" vs the "Inner Six"



[The signatories are] **"Determined to facilitate the early establishment of a multilateral association for the removal of trade barriers and the promotion of closer economic co-operation [including with the Members of the European Economic Community (...)]"** *Preamble of the Stockholm treaty establishing the European Free Trade Area*

The **"outer seven"** ( Austria,  Denmark,  Norway,  Portugal,  Sweden,  the Swiss Confederation and  the United Kingdom of Great Britain and Northern Ireland) establish the European Free Trade Area (EFTA).


EFTA had a limited scope: establishing a free trade area, similarly to USMCA (former NAFTA). Initially successful in promoting trade and other member states joined – Including  Finland and  Iceland. Today EFTA counts only four Members.


EEC Continues Deepening (with Justice and Foreign Policy Cooperation it Becomes EU) and Widening (to Former EFTA and COMECON Members)



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1973

 Denmark


 Ireland

 United Kingdom



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1973

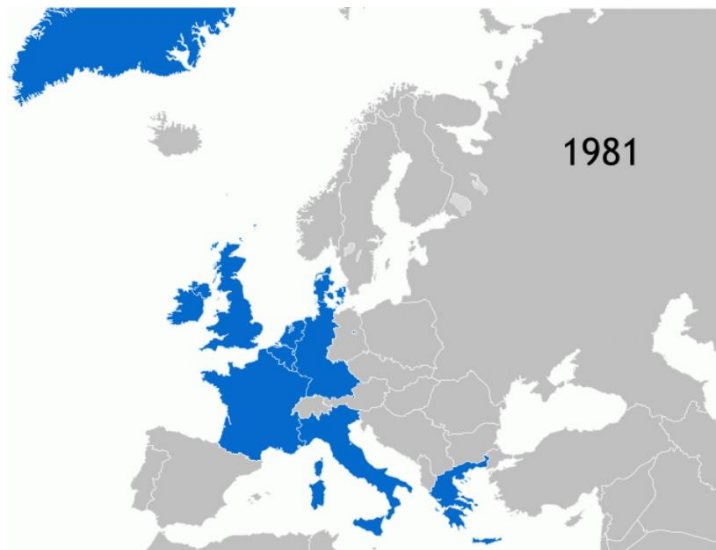
 Denmark

 Ireland

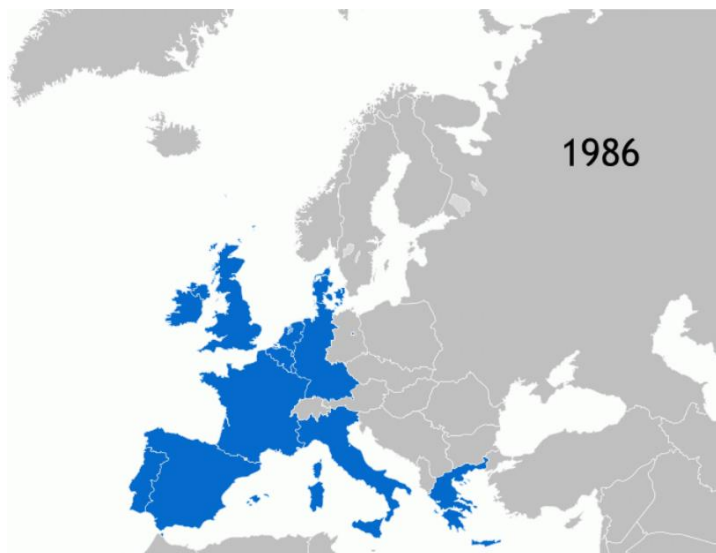
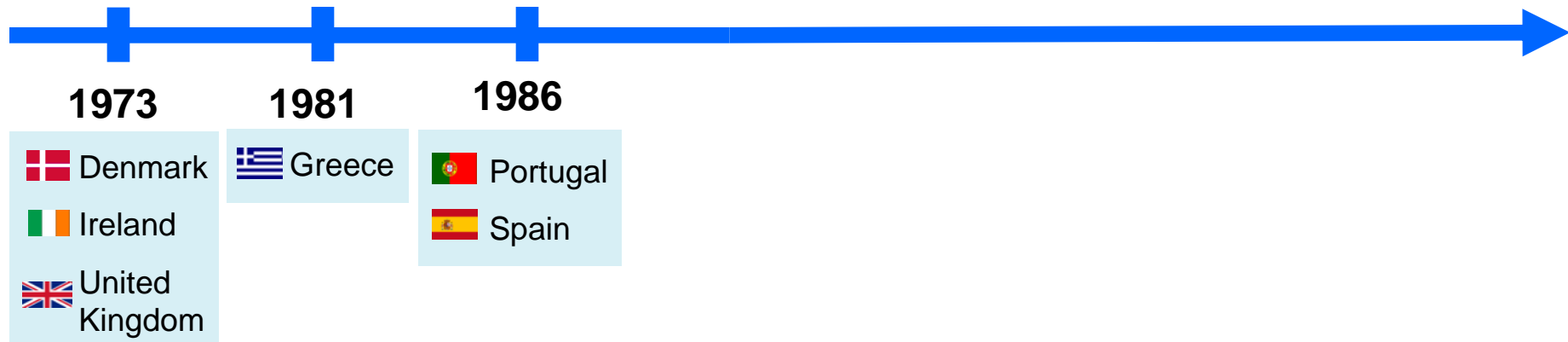
 United Kingdom

1981

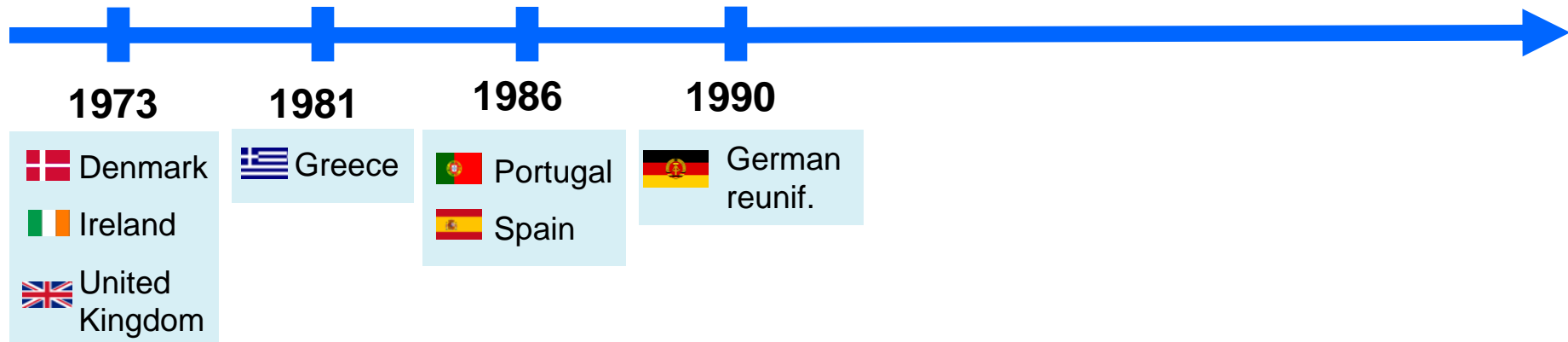
 Greece



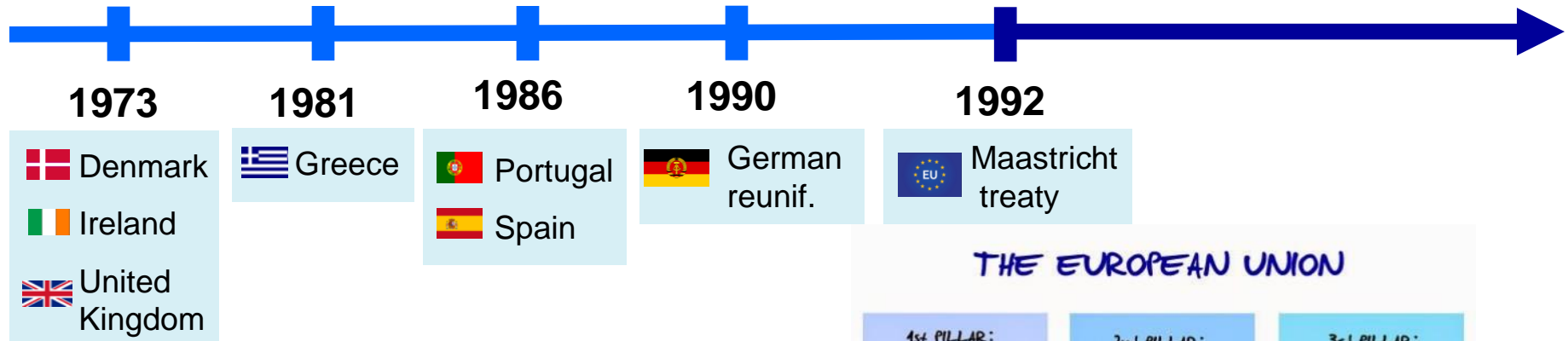
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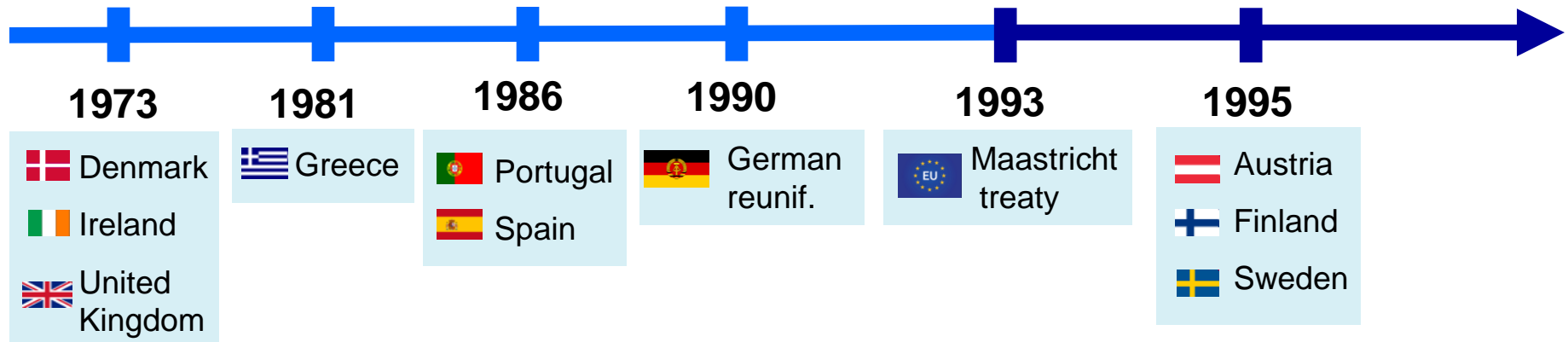
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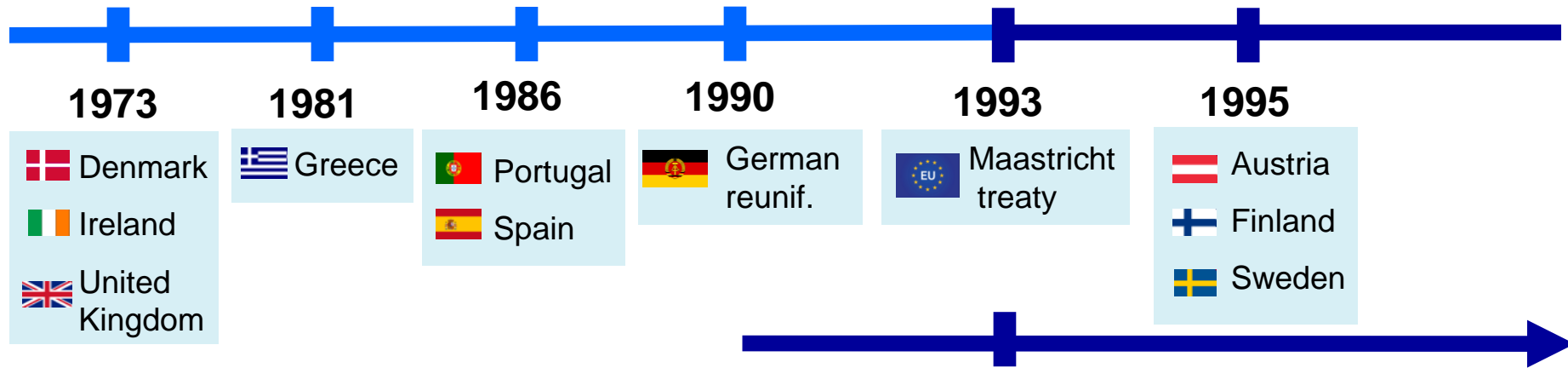
Map: Wikimedia Commons



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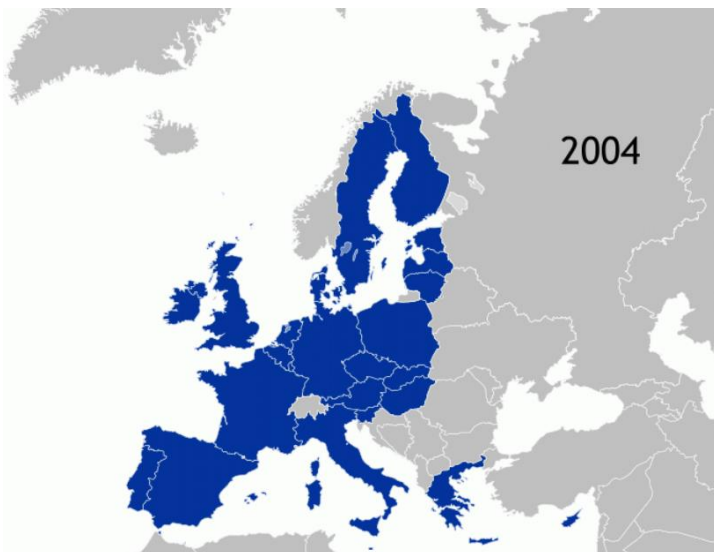


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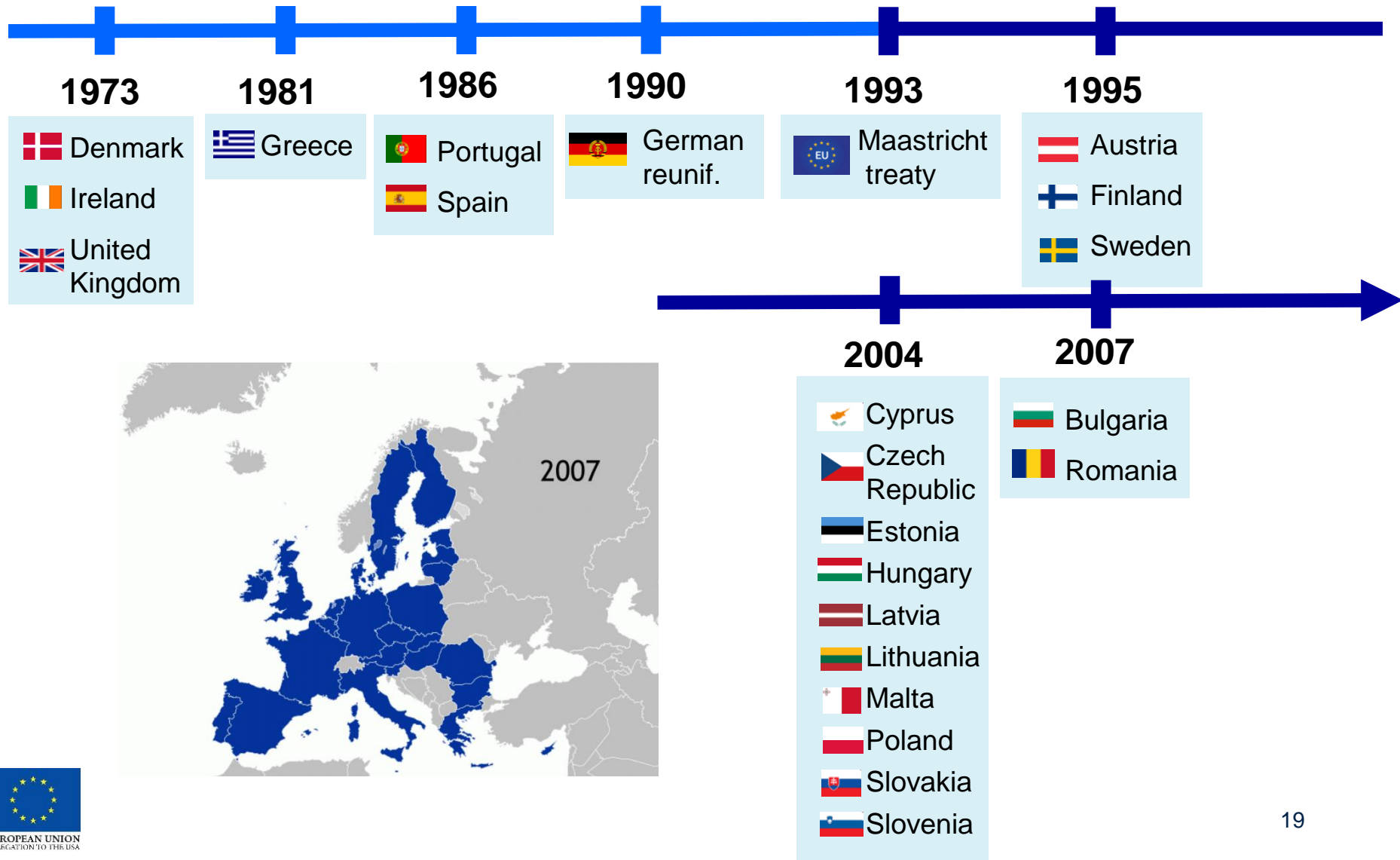


2004

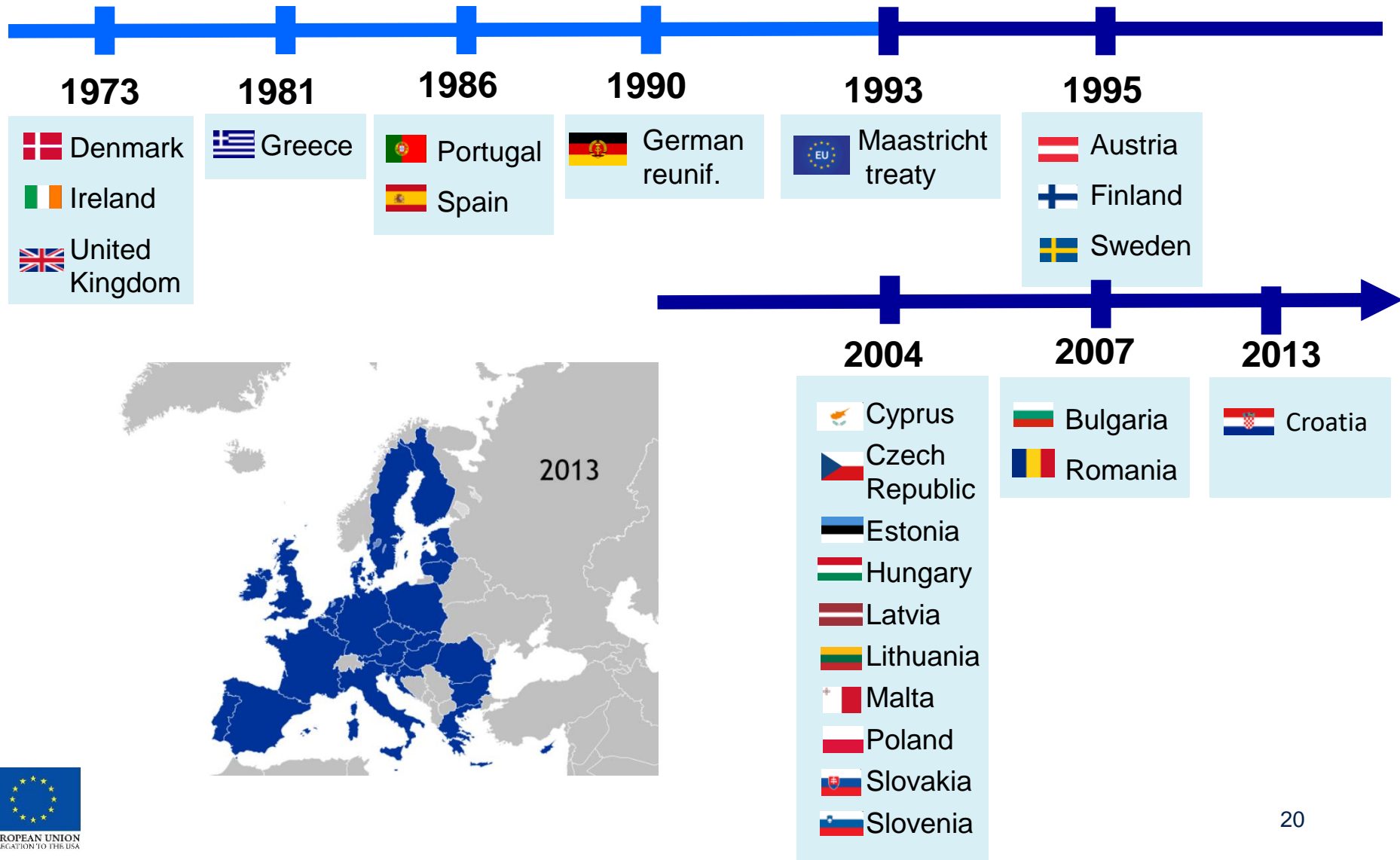
- Cyprus
- Czech Republic
- Estonia
- Hungary
- Latvia
- Lithuania
- Malta
- Poland
- Slovakia
- Slovenia



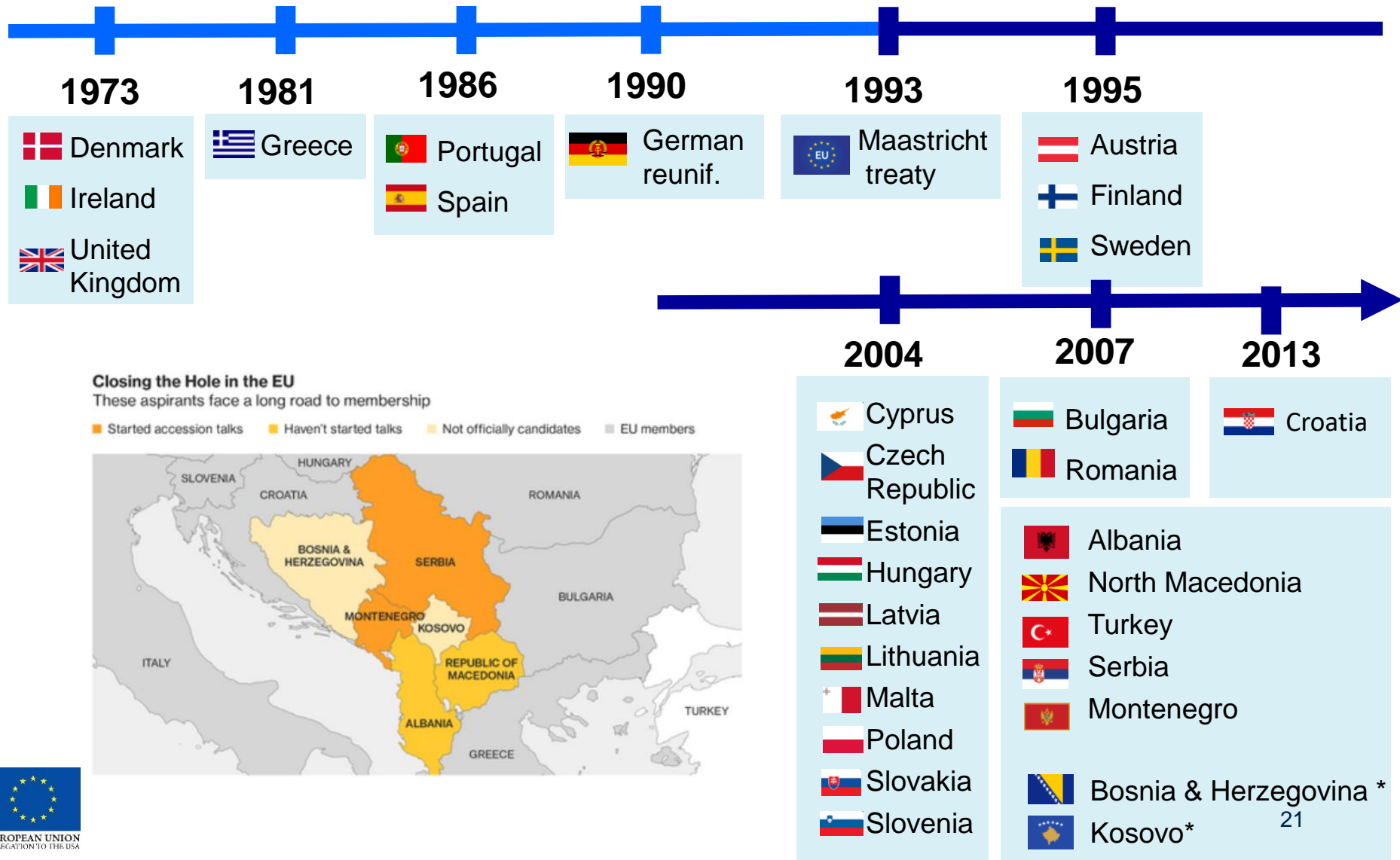
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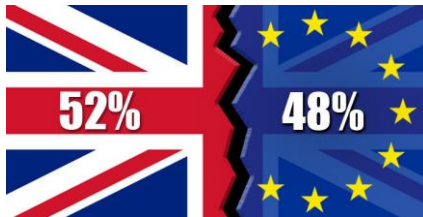


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- A referendum for continued EU membership took place on 23 June 2016 in the United Kingdom
- 52% of the voters expressed their desire to leave the European Union
- The UK government notified the EU of its intention to withdraw in March 2017
- The EU and the UK then agreed on a withdrawal agreement and the framework of the future relation
- The deal left the UK outside of not just the single market, but the customs union as well
- The UK then formally left the EU on January 31 2020
- Some aspects of the long-term relationship still have to be resolved – (especially the relationship with Northern Ireland, which has stayed in the EU customs union)

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The European Council

Executive (1)



- Made of the heads of state or government of the 27 EU member states, the European Council President (Charles Michel) and the President of the European Commission.
- Sets the 'strategic agenda' of priority areas for longer-term EU action and focus.

The European Commission

Executive (2)

- 27 Commissioners, representing the European perspective, each responsible for a specific policy area.
- Led by Ursula von der Leyen, the President of the European Commission.
- 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 cooperation.



European Parliament and Council of the EU

Legislative

The voice of the people

- European citizens directly elect members for five-year terms.
- With the Council, passes EU laws and adopts EU budgets (ordinary legislative procedure).
- Approves EU Commissioners.



The voice of the Member States

- Not directly elected : it is comprised of ministers holding office in the 27 Member States.
- In a number of specific areas, the Council takes decisions using special legislative procedures and the role of the Parliament is limited.



European Court of Justice

- Highest EU judicial authority.
- Ensures all EU laws are interpreted and applied correctly and uniformly.
- Rules on conflicts between EU institutions, between EU institutions and Member States and between Member States.
- Can act as an independent policy maker and overrule national law in areas (economy, agriculture) covered by the Treaties.

Judicial



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EU? EMU? Euro? Single Market? Custom Union? Some Definitions...

Zero tariffs between member countries and reduced non-tariff barriers

Free Trade Area (FTA)



EFTA

EU? EMU? Euro? Single Market? Custom Union? Some Definitions...

Common external tariff

Zero tariffs between member countries and reduced non-tariff barriers

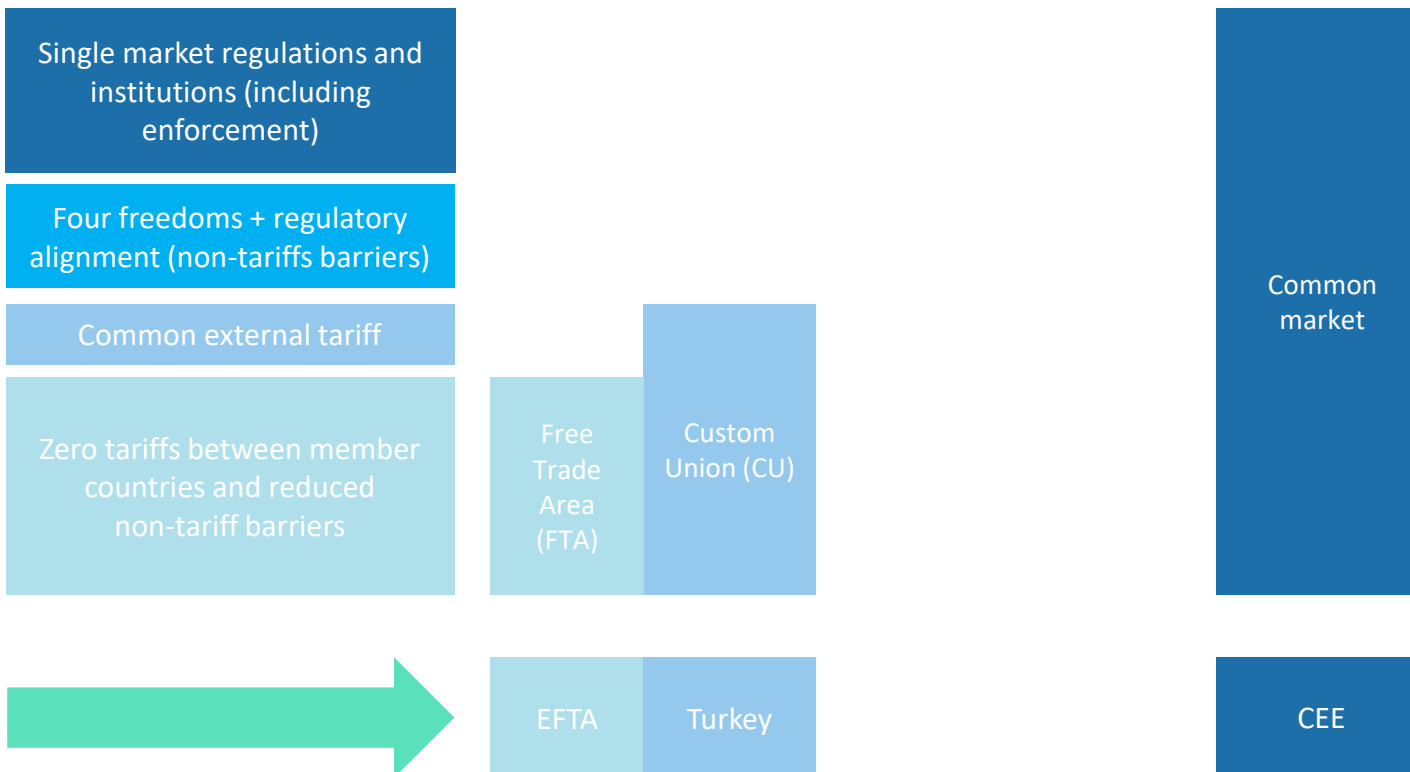
Free Trade Area (FTA)

Custom Union (CU)

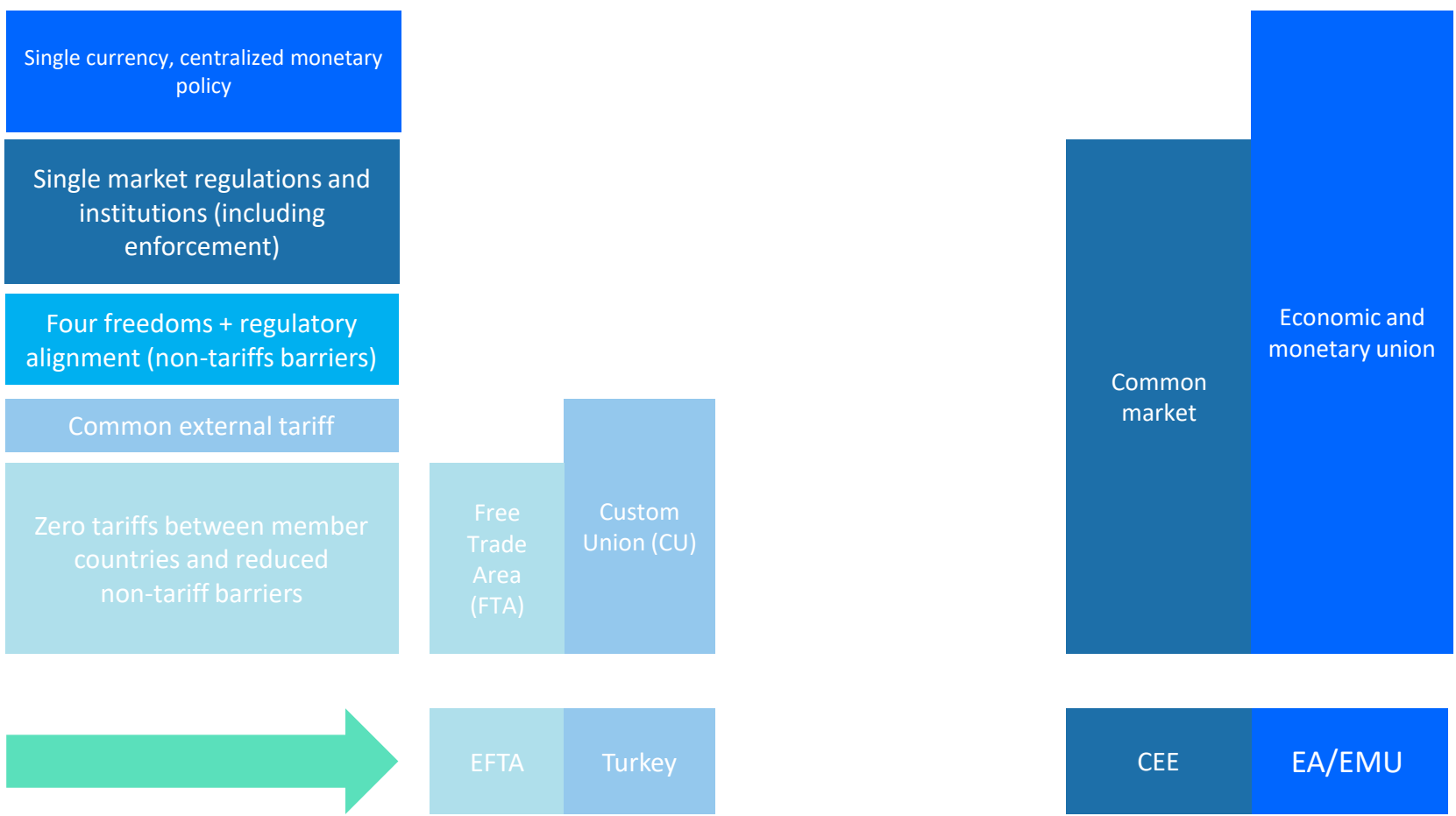
EFTA

Turkey

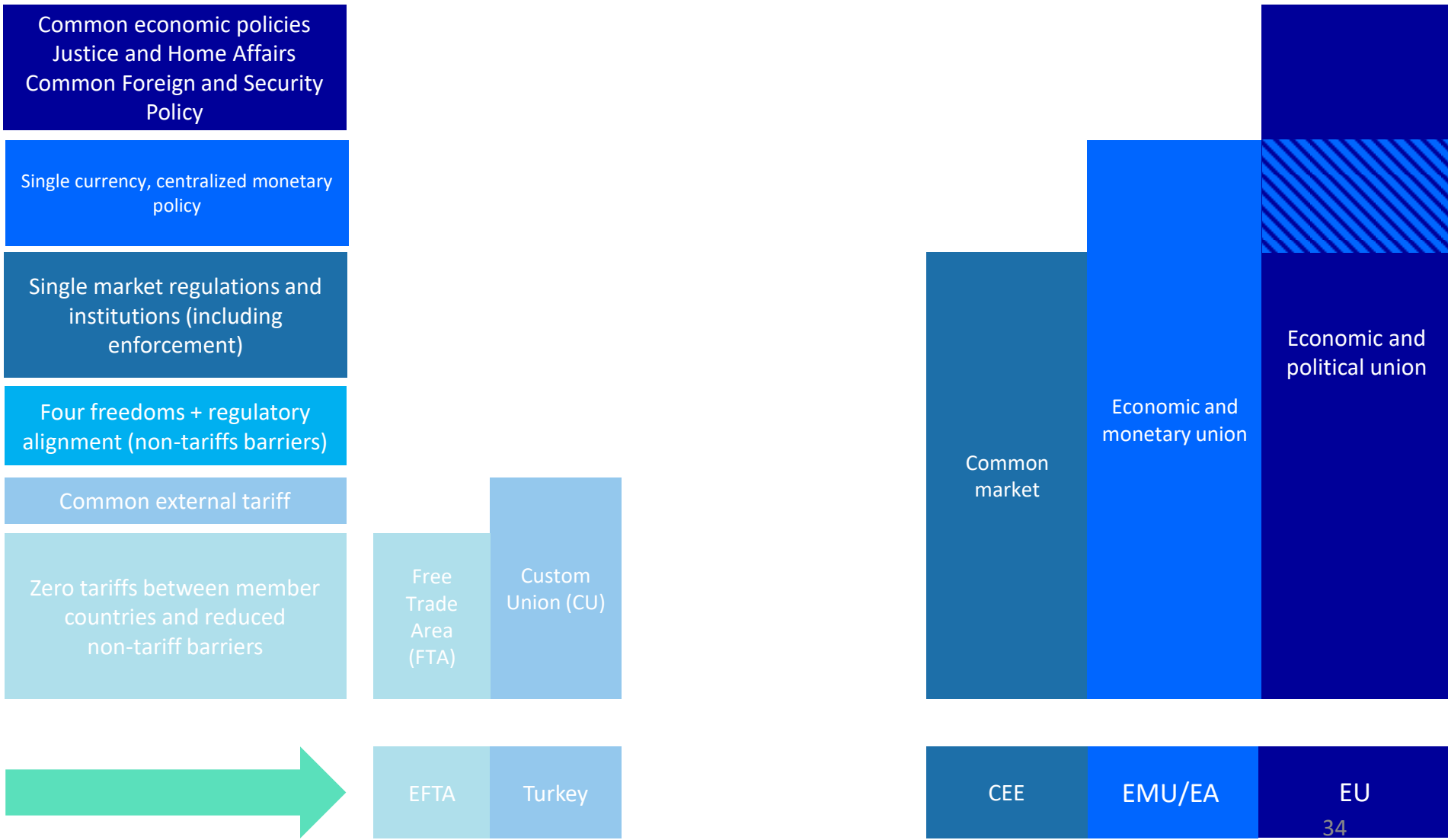
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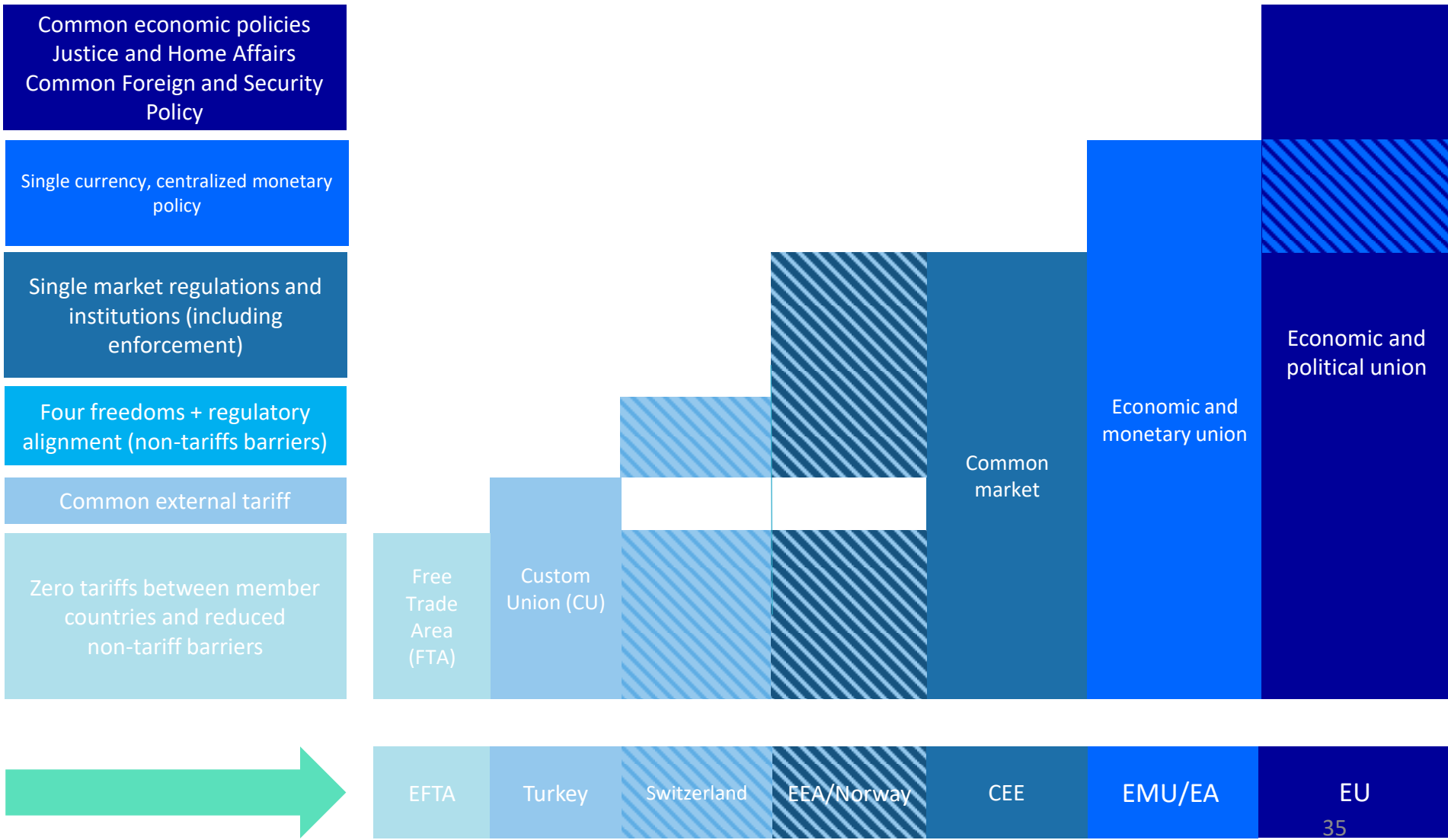
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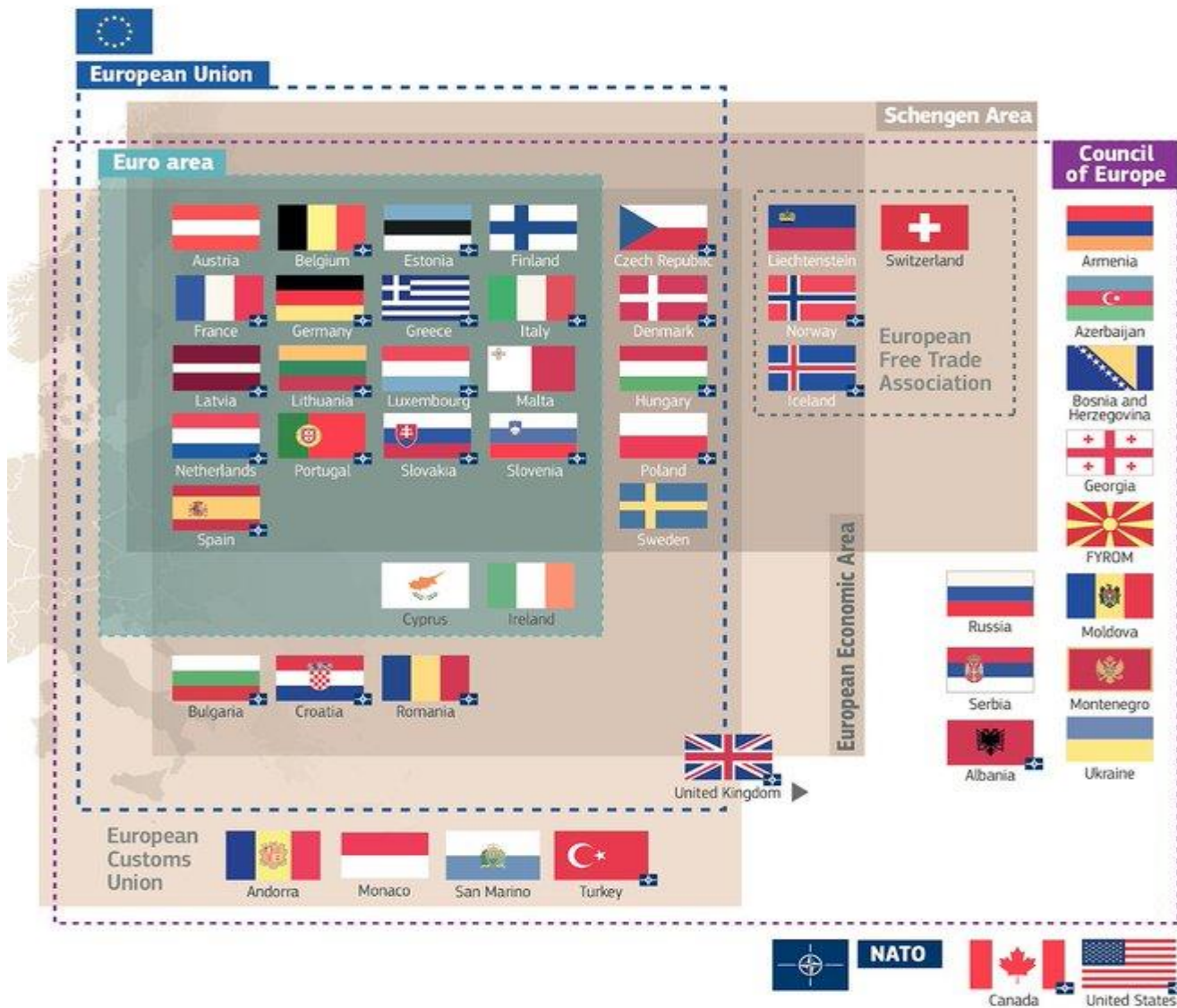
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1986 **Single European Act**

Sets objective of establishing an internal market.

1992 **Maastricht Treaty**

Sets out how to achieve EMU, lays down convergence criteria.

1999 **Introduction of the euro**

The euro is officially introduced as a virtual currency in Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain.

2002 **Banknotes and coins**

Introduction of euro banknotes and coins, replacing national currencies.



Euro Area ≠ European Union

Currently includes 19 Member States

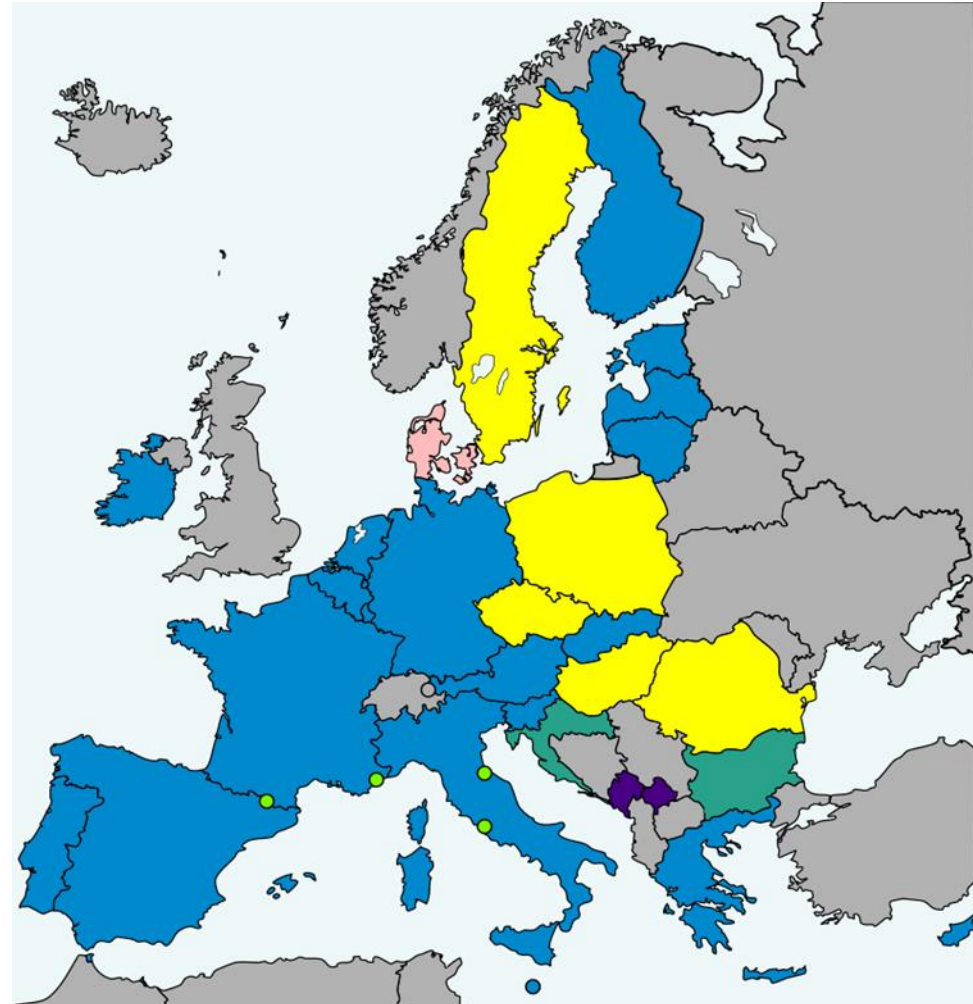
Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia and Spain.

What about the other 9?

Croatia and Bulgaria have pegged their exchange rates to the euro and are set to join the official currency in 2023 and 2024, respectively.

Czech Republic, Hungary, Poland, Romania and Sweden aim to adopt the euro eventually, when they are ready.

Denmark has opted out and is not obliged to adopt the euro.



Economic Policy Making: Euro Area vs. the US

US

Euro Area

Monetary
policy



Federal Reserve Chair
Jerome Powell



ECB President
Christine Lagarde

Fully centralized

Fiscal
policy

Structural
reforms

Economic Policy Making: Euro Area vs. the US

US

Monetary
policy



Federal Reserve Chair
Jerome Powell

Fiscal
policy



Treasury Secretary
Janet Yellen

Structural
reforms

Euro Area

Fully centralized



ECB President
Christine Lagarde



Eurogroup Finance ministers of Euro
Area member states –
currently chaired by **Paschal Donohoe**

No central Euro Area
budget – Member
States' fiscal policy is
coordinated through
the **Stability and
Growth Pact (SGP)**

Economic Policy Making: Euro Area vs. the US

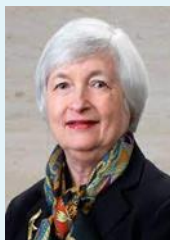
US

Monetary
policy



Federal Reserve Chair
Jerome Powell

Fiscal
policy



Treasury Secretary
Janet Yellen



Congress

Structural
reforms



**Concurrent federal
and state level
responsibility**

few policy areas
are exclusively state or
federal (e.g. social
security / education)

most policy areas
shared (federal level
provides a floor)

Euro Area

Fully centralized



ECB President
Christine Lagarde



Eurogroup Finance ministers of Euro
Area member states –
currently chaired by **Paschal Donohoe**

No central Euro Area
budget – Member
States' fiscal policy is
coordinated through
the **Stability and
Growth Pact (SGP)**



**Exclusive
responsibility of
Member State**

Few exceptions, e.g.
safety at work
standards and
competition policy

European Union only
gives **economic policy
recommendations** to
Member States

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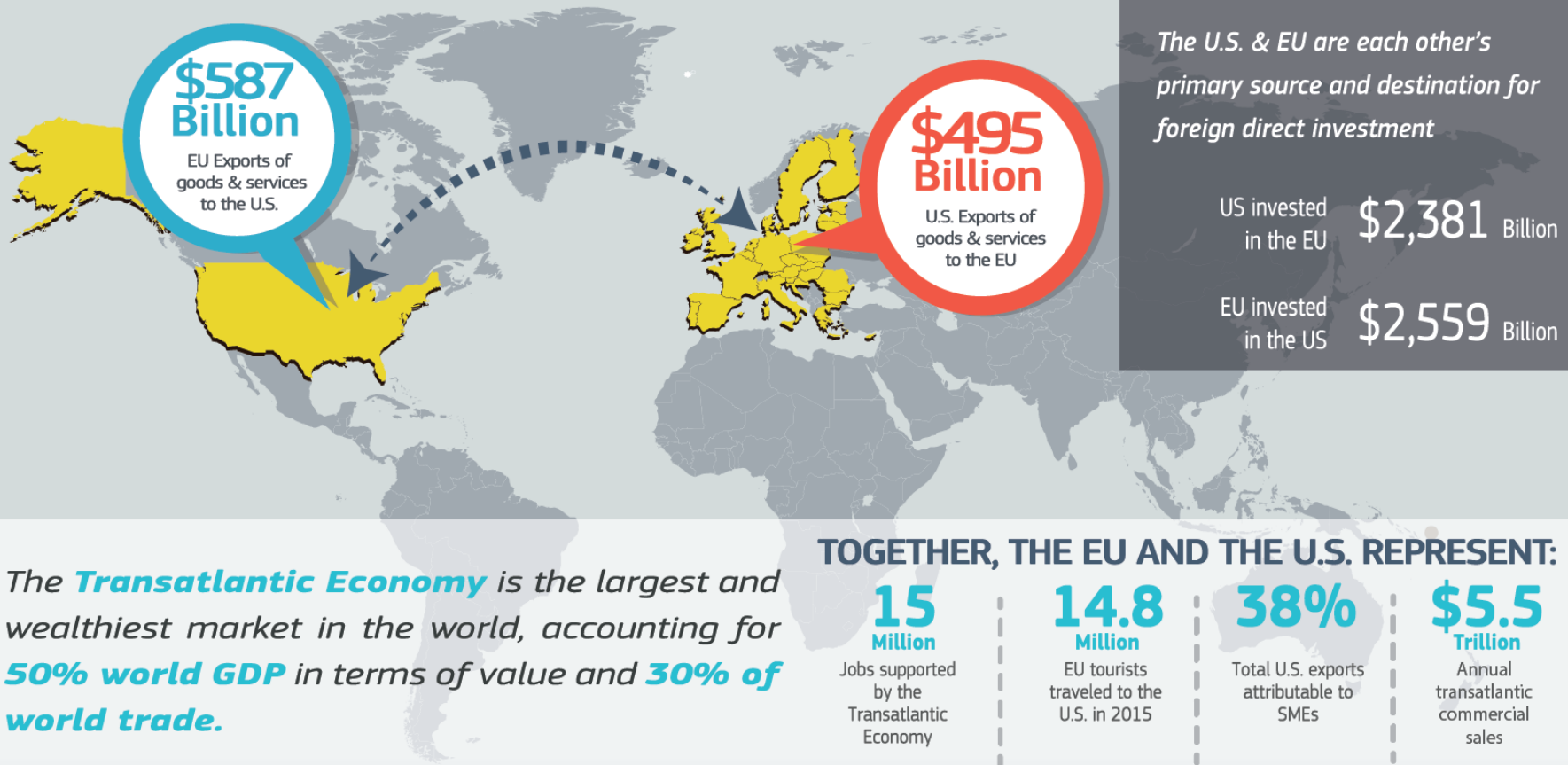
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US and EU: A Strong Economic Partnership



- **Freedom & Democracy**

Support free elections, good governance, human rights, and the rule of law around the world.

- **Security**

Cooperate to fight terrorism, limit the spread of nuclear weapons, and work for global peace.

- **Development**

Together, EU and U.S. provide 80% of global development assistance and an even larger share of global humanitarian aid in times of disaster and conflict.



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Good luck in the 2022 Euro Challenge!



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